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United Nations

Report of the International Civil Service Commission for the year 1994

General Assembly

Official Records • Forty-ninth Session
Supplement No. 30 (A/49/30)

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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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ABBREVIATIONS

ACC	Administrative Committee on Coordination
ACPAQ	Advisory Committee on Post Adjustment Questions
CCAQ	Consultative Committee on Administrative Questions
CCISUA	Coordinating Committee for International Staff Unions and Associations of the United Nations System
FAO	Food and Agriculture Organization of the United Nations
FEPCA	Federal Employees Pay Comparability Act (1990)
FICSA	Federation of International Civil Servants' Associations
GATT	General Agreement on Tariffs and Trade
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
IRS	United States Internal Revenue Service
ITC	International Trade Centre UNCTAD/GATT
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	Office of the United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organization
UNJSPB	United Nations Joint Staff Pension Board
UNJSPF	United Nations Joint Staff Pension Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UPU	Universal Postal Union
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

GLOSSARY OF TECHNICAL TERMS

Base/floor salary scale

For the Professional and higher categories of staff, a universally applicable salary scale is used in conjunction with the post adjustment system. The minimum net amounts received by staff members around the world equal those shown in this scale, called the base/floor salary scale.

Ceiling on the education grant

Under normal circumstances, the maximum education grant (ceiling) equals 75 per cent of maximum admissible expenditures. The ceiling on the education grant for disabled children equals 100 per cent of the maximum admissible expenditures.

Common Classification of Occupational Groups (CCOG)

A set of definitions for individual occupations covering jobs typically found in the common system and a schema for coding each occupation.

Comparator

Salaries and other conditions of employment of staff in the Professional and higher categories are determined in accordance with the Noblemaire principle by reference to those applicable in the civil service of the country with the highest paid levels. The United States federal civil service has been used as the comparator since the inception of the United Nations.

Consolidation of post adjustment

The base/floor salary scale for the Professional and higher categories is adjusted periodically to reflect increases in the comparator salary scale. This upward adjustment is made by taking a fixed amount of post adjustment and incorporating or "consolidating" it in the base/floor salary scale. If the scale is increased by consolidating 5 per cent of post adjustment, the post adjustment classifications at all duty stations are then reduced by 5 per cent, thus ensuring, generally, no losses or gains to staff.

Cost-of-living differential

In net remuneration margin calculations, the remuneration of United Nations officials from the Professional and higher categories in New York is compared with their counterparts in the comparator service in Washington. As part of that comparison, the difference in cost of living between New York and Washington is applied to the comparator salaries to determine their "real value" in New York. The cost-of-living differential

between New York and Washington is also taken into account in comparing pensionable remuneration amounts applicable to the two groups of staff.

Dependency rate salaries

Net salaries reflecting the allowance for a primary dependant.

Employment cost index (ECI)

Under the Federal Employees Pay Comparability Act (see below), a wage index that measures the percentage change in the average non-federal sector payroll costs between two points in time is calculated. The index, known as ECI, is based on the measurement of payroll costs across the United States. ECI is used as the basis for an across-the-board adjustment to salaries of United States federal civil service employees. Under the FEPCA, United States federal civil servants can also receive a locality-based adjustment.

Federal Employees Pay Comparability Act

The Federal Employees Pay Comparability Act (1990) (FEPCA) passed by the United States Congress whereby the pay of federal civil service employees would be brought to within 5 per cent of private sector comparator pay over a period of time.

Final average remuneration

The average of the highest 36 months of pensionable remuneration during the last five years of a participant's contributory service.

Flemming principle

The basis used for the determination of conditions of service of the General Service and other locally recruited categories of staff. Under the application of the Flemming principle, General Service conditions of employment are based on best prevailing local conditions.

General Schedule

A 15-grade salary scale in the comparator civil service, covering the large majority of staff members.

Grade equivalencies

A comparison of United Nations system grades P-1 to D-2 with the corresponding grades in the comparator service is carried out by the Commission once every five years. The results of those comparisons provide an indication of the comparator grade(s) that are equivalent in terms of job content to a particular United Nations grade.

Headquarters locations

Headquarters of the organizations participating in the United Nations common system are: Geneva, London, Montreal, New York, Paris, Rome and Vienna.

Highest paid civil service

Under the application of the Noblemaire principle, salaries of United Nations staff in the Professional and higher categories are based on those of the highest paid civil service, currently the United States federal civil service. For further details, see "Comparator".

Income-replacement ratio

The ratio of pension to average net salary received during the same three-year period used in the determination of the pension benefit.

Language factor

Adjustment made to the local salary scale for the General Service staff at a given headquarters location to account for the fact that the local language is not a working language of the United Nations organization(s) and staff are required to work in a language other than the local language.

Local-currency entitlement

The term is used in the context of dependency allowances (children's and secondary dependant's allowance) for the Professional and higher categories. Until 1989, the amounts of those allowances were fixed in United States dollars. In view of currency fluctuations, in particular at the hard-currency duty stations, the value of those allowances in local-currency terms fluctuated significantly. Since 1989, the amounts have been fixed in United States dollars and in a selected group of hard currencies. Staff at Geneva, for example, are entitled to receive their dependency allowances in Swiss francs without experiencing a change in the value of the allowance owing to currency fluctuations.

Locality-based pay

Under FEPCA, the United States Government has established 29 separate locality pay areas. The locality-pay provision of FEPCA is based on average salary levels prevailing in the local labour market. For federal civil servants in a given locality, FEPCA provides for the payment of an ECI-based increase plus a locality-pay adjustment, if appropriate, for the period 1994-2002 with a view to ensuring that federal pay is brought to within 5 per cent of the non-federal pay for the locality.

Maximum admissible expenditures	Under the provisions of the education grant, expenses incurred by staff members on fees, boarding costs, books, etc., are added to arrive at the total of education-related expenses. A limit (maximum) is placed on the total of admissible education-related expenditures.
Mobility and hardship allowance	A non-pensionable allowance designed to encourage mobility between duty stations and to compensate for service at difficult locations.
Net remuneration margin	The Commission regularly carries out comparisons of the net remuneration of the United Nations staff in grades P-1 to D-2 in New York with that of the United States federal civil service employees in comparable positions in Washington. The average percentage difference in the remuneration of the two civil services, adjusted for the cost-of-living differential between New York and Washington is the "margin".
Noblemaire principle	The basis used for the determination of conditions of service of the Professional and higher categories of staff. Under the application of the principle, salaries of the Professional category are determined by reference to those in the country with the best paid national civil service.
Pension adjustment system	System for adjusting initial pensions of retirees in countries where the difference between the post adjustment classifications at the place of retirement and the base of the system (New York) as averaged over a 36-month period, is 5 per cent or higher.
Pensionable remuneration	The amount used as the basis for effecting contributions from the staff member and the organization to the United Nations Joint Staff Pension Fund (UNJSPF). Pensionable remuneration amounts are also used for the determination of pension benefits of staff members upon retirement.
Place-to-place survey	Survey to compare living costs between a given location and the base city, at a specified date.
Post adjustment classification	Post adjustment classification (PAC) is based on the cost-of-living as reflected in the respective post adjustment index (PAI) for each duty station. The classification is expressed in terms of multiplier points. Staff members at a duty station classified at

multiplier 5 would receive a post adjustment amount equivalent to 5 per cent of net base salary as a supplement to base pay.

Post adjustment index

Measurement of the living costs of international staff members in the Professional and higher categories posted at a given location, compared with such costs in New York at a specific date.

Post adjustment multiplier

Post adjustment multipliers specify the additional amounts of remuneration above base salary that may be payable to reflect the post adjustment classification for a duty station. Multipliers are specified in terms of individual points, which are equivalent to percentage amounts of base salary. Thus 5 multiplier points equate to 5 per cent of base salary; 50 points to 50 per cent.

Prices and costs (of education)

In the context of the methodology for reviewing the level of the education grant, prices refer to fees charged by selected educational institutions commonly attended by children of international staff; costs refer to expenditures incurred by staff members.

Senior Executive Service (SES)

Officials of the comparator service in senior managerial positions are covered by provisions known as the Senior Executive Service schedule.

Separation payments

Upon separation from service, staff may receive compensation for one or more of the following: accumulated annual leave, repatriation grant, termination indemnity, death grant.

Single rate salaries

Net salaries determined for staff without a primary dependant.

Special pay systems

Under the salary system for the United States federal civil service, staff of some federal agencies or in specific occupational groups may be paid according to pay scales applicable to those agencies or occupations, as appropriate. These pay scales, known as special pay systems, are used in cases of demonstrated recruitment and retention difficulties or such other factors as undesirability of the workplace, etc.

Special index for pensioners

Under the pension adjustment system (see above), in countries where upward adjustments to pensions are made in accordance with the pension adjustment system, a comparison is made between taxes on pensions and United

	Nations staff assessment rates. If the taxes on pensions are lower than the staff assessment rates, the difference is calculated in terms of a special index for pensioners. The actual upward adjustment to initial pensions is made after taking into account the cost-of-living difference and the special index for pensioners.
Staff assessment	Salaries of United Nations staff from all categories are expressed in gross and net terms, the difference between the two being the staff assessment. Staff assessment is an internal United Nations form of "taxation" and is analogous to taxes on salaries applicable in most countries.
Supplementary payments	A practice of some Member States to supplement the salaries of some or all of their nationals in the service of the United Nations common system.
Tax abatement	In the context of dependency allowances, tax credit or relief provided to taxpayers who are responsible for the financial support of dependants such as spouse, children, parents, etc. in the tax systems of a number of countries.
Tax Equalization Fund	A fund maintained by e.g. the United Nations that is used for reimbursing national taxes levied on the United Nations income for some staff members.
Washington formula	In the context of the pension adjustment system (see above), the procedure used for adjusting initial pensions of retirees meeting the conditions stipulated under the pension adjustment system.

LETTER OF TRANSMITTAL

5 August 1994

Sir,

I have the honour to transmit herewith the twentieth annual report of the International Civil Service Commission, prepared in accordance with article 17 of its statute.

I should be grateful if you would submit this report to the General Assembly and, as provided in article 17 of the statute, also transmit it to the governing organs of the other organizations participating in the work of the Commission, through their executive heads, and to staff representatives.

I avail myself of this opportunity to renew to you, Sir, the assurances of my highest consideration.

(Signed) M. BEL HADJ AMOR
Chairman

His Excellency Mr. Boutros Boutros-Ghali
Secretary-General of the United Nations
New York

SUMMARY OF RECOMMENDATIONS THAT CALL FOR DECISIONS BY THE GENERAL ASSEMBLY AND THE LEGISLATIVE ORGANS OF THE OTHER PARTICIPATING ORGANIZATIONS

Paragraph reference

A. Remuneration of the Professional and higher categories

(i) Base/floor salary scale

181 The Commission decided to recommend to the General Assembly that the current base/floor salary scale for the Professional and higher categories of staff be increased by 4.1 per cent through consolidation of post adjustment, with effect from 1 March 1995.

(ii) Dependency allowances

191 The Commission decided to recommend to the General Assembly that: (a) the current level of children's allowances (including those for disabled children) and of secondary dependant's allowances should be increased, effective 1 January 1995, to reflect the 10.26 per cent increase in the value of tax abatement and payments under social legislation at the seven headquarters duty stations that had occurred between 1991 and the current review; and (b) the present local-currency entitlement system for hard-currency duty stations should be maintained on the basis of an updated list of hard currency duty stations for which local currency entitlements were specified.

B. Remuneration of the General Service and other locally recruited categories

National Professional Officers

244 (b) The Commission decided to recommend to the General Assembly for consideration and adoption the revised criteria for the employment of National Professional Officers (NPOs) as outlined in annex VI.

C. Conditions of service applicable to both categories

(i) Education grant

273 The Commission decided to recommend to the General Assembly an increase in the level of maximum admissible educational expenses, the maximum grant and the ceiling for boarding costs for areas where education-related expenses were incurred in specified currencies. It also decided to recommend that the special education grant maximum for disabled children in these areas should be adjusted in line with the revised maximum for admissible educational expenses.

(ii) Performance management

347 (e) The Commission decided to recommend that organizations wishing to introduce merit award schemes should do so within the parameters provided by the Commission. It also decided to bring the results of its consideration regarding the issue of performance management to the attention of the General Assembly and the legislative/governing bodies of other common system organizations, for appropriate action within the guidelines established by the Commission.

SUMMARY OF FINANCIAL IMPLICATIONS OF THE COMMISSION'S DECISIONS AND ITS RECOMMENDATIONS TO THE GENERAL ASSEMBLY FOR THE UNITED NATIONS AND PARTICIPATING ORGANIZATIONS

(for all sources of funds)

Paragraph reference

A. Remuneration of the Professional and higher categories

(i) Base/floor salary scale

180 The financial implications of the Commission's recommendation for a 4.1 per cent increase in the current base/floor salary scale for the Professional and higher categories of staff effective 1 March 1995 are estimated at $3.42 million per annum. For the 10 months of 1995, the corresponding financial implications are estimated at $2.85 million.

(ii) Dependency allowances

192 The financial implications of the Commission's recommendations regarding the level of children's and secondary dependant's allowances are estimated at $1.8 million per annum.

B. Remuneration of the General Service and other locally recruited categories: survey of best prevailing conditions of service at Montreal

209 Based on a survey of best prevailing conditions of service, the Commission recommended to the Secretary-General of the International Civil Aviation Organization (ICAO) revisions to the salary scale and the levels of dependency allowances for the General Service and related categories of staff. The impact of the Commission's recommendations regarding the salary scale would be a reduction in costs by approximately US$ 590,000 per annum. As a result of the Commission's recommendations regarding dependency allowances, an increase in costs of approximately US$ 11,800 is expected.

C. Conditions of service applicable to both categories

(i) Education grant

271 The financial implications of the Commission's recommendations regarding the education grant are estimated at $2.15 million per annum.

(ii) Hazard pay

290 The financial implications of the Commission's decision regarding the determination of the amount of hazard pay are estimated at approximately $2.5 million per annum.

(iii) Performance management

348 If the Commission's recommendations in respect of merit awards are applied by all organizations of the common system, the resulting financial implications are estimated at $4 million per annum.

Chapter I

ORGANIZATIONAL MATTERS

A. Acceptance of the statute

1. Article 1 of the statute of the International Civil Service Commission (ICSC), approved by the General Assembly in its resolution 3357 (XXIX) of 18 December 1974, provides that:

> "The Commission shall perform its functions in respect of the United Nations and of those specialized agencies and other international organizations which participate in the United Nations common system and which accept the present statute ...".

2. To date 12 organizations have accepted the statute of the Commission and, together with the United Nations itself, participate in the United Nations common system of salaries and allowances. Two other organizations, although not having formally accepted the statute, have participated fully in the Commission's work.

B. Membership

3. At its forty-eighth session, by its decision 48/319 of 23 December 1993, the General Assembly reappointed five members of the Commission to four-year terms of office commencing 1 January 1994.

4. Mr. Mario Bettati (France), Ms. Lucretia F. Myers (United States of America), Messrs. Antonio Fonseca Pimentel (Brazil), Alexis Stephanou (Greece) and Ku Tashiro (Japan) were reappointed. On 9 March 1994, the General Assembly appointed Mr. Alexander V. Chepourin (Russian Federation) to fill the unexpired term of Mr. Valery Fiodorovich Keniaykin, who resigned with effect from the end of the Commission's thirty-ninth session.

5. The membership of the Commission for 1994 is as follows:

Mr. Mohsen Bel Hadj Amor (Tunisia)* (Chairman)

Mr. Mario Bettati (France)***

Mr. Alexander V. Chepourin (Russian Federation)**

Mrs. Turkia Daddah (Mauritania)*

Mr. Humayun Kabir (Bangladesh)**

Ms. Lucretia F. Myers (United States of America)***

Mr. Antonio Fonseca Pimentel (Brazil)***

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* Term of office expires 31 December 1994.

** Term of office expires 31 December 1996.

*** Term of office expires 31 December 1997.

Mr. Andre Xavier Pirson (Belgium)*

Mr. Jaroslav Riha (Czech Republic)*

Mr. Ernest Rusita (Uganda)**

Mr. Missoum Sbih (Algeria)**

Mr. Alexis Stephanou (Greece)***

Mr. Ku Tashiro (Japan)***

Mr. Carlos S. Vegega (Argentina)* (Vice-Chairman)

Mr. Mario Yango (Philippines)**

C. Sessions held by the Commission and questions examined

6. The Commission held two sessions in 1994: the thirty-ninth, which took place from 28 February to 11 March at the headquarters of the Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok, and the fortieth, which took place from 20 June to 8 July at United Nations Headquarters in New York.

7. At those sessions, the Commission examined issues that derived from decisions and resolutions of the General Assembly as well as from its own statute. A number of decisions and resolutions adopted by the Assembly that required action or consideration by the Commission are discussed in the present report.

D. Subsidiary body

8. The Commission's Advisory Committee on Post Adjustment Questions (ACPAQ) held its eighteenth session at the Vienna International Centre from 24 May to 1 June 1994 at the invitation of the International Atomic Energy Agency (IAEA). It consisted of the following members: Mr. Carlos S. Vegega (Argentina), Vice-Chairman of the Commission and Chairman of the Committee; Mr. Emmanuel Oti Boateng (Ghana); Mr. Yuki Miura (Japan); Mr. Hugues Picard (France); Mr. Andrey Filippovich Revenko (Ukraine); and Mr. Rafael Trigueros Mejía (Costa Rica).

E. Staff participation

9. Under rule 37 of the Commission's rules of procedure, representatives of the Federation of International Civil Servants' Associations (FICSA) and the Coordinating Committee of International Staff Unions and Associations of the United Nations system (CCISUA) may attend meetings and may address the Commission on any matters on its agenda. Under the same rule, the executive head and the staff representatives of a participating organization may attend meetings and address the Commission on matters of particular interest to that organization, for example, surveys of best prevailing conditions of employment for the General Service and other related categories of staff at a given duty station.

10. In its nineteenth annual report, the Commission had reported to the General Assembly the details regarding FICSA and CCISUA's decision at the July/August 1992 session of ICSC not to continue their participation in the Commission's deliberations. CCISUA's decision at the Commission's

July/August 1993 session to resume participation in the work of ICSC was also reported to the Assembly. 1/

11. In its resolution 48/224 of 23 December 1993, section I, the General Assembly urged that the Commission and FICSA work towards restarting the dialogue between them. In response to that resolution, the Chairman of ICSC continued his informal contacts with the Federation, and FICSA resumed full participation at the February/March 1994 session of the Commission. On that occasion the President of FICSA informed the Commission that the Federation's July 1992 decision to suspend its participation in the work of the Commission had been the culmination of its dissatisfaction with a process of token participation perceived as futile and counterproductive. During the last year, however, with goodwill, flexibility and cooperation on both sides, FICSA had been able to voice its reservations on the effectiveness of its participation in the Commission's work in the knowledge that they were not falling on deaf ears. She noted that the ICSC Chairman had demonstrated a readiness to listen and respond to FICSA's preoccupations, which she trusted would herald a new era of constructive dialogue. The Federation, for its part, had come to recognize that such dialogue was a process of give-and-take and implied recognition of what was and was not immediately attainable.

Chapter II

ACTION TAKEN IN RELATION TO RESOLUTIONS AND DECISIONS OF THE UNITED NATIONS GENERAL ASSEMBLY AND GOVERNING BODIES OF OTHER ORGANIZATIONS

A. Action in relation to General Assembly resolution 48/224

12. The Commission took action on the following matters addressed in General Assembly resolution 48/224 of 23 December 1993:

(a) Section II.B.3. The General Assembly noted the imbalance in the range of United Nations/United States remuneration ratios at the different levels of the salary scale for the Professional and higher categories and reiterated its request to the Commission, contained in resolution 47/216, to make proposals in this regard to it at its forty-ninth session. The Commission's consideration of this matter is reported in paragraphs 122 to 140 below;

(b) Section II.C.2. The Assembly requested ICSC to review and, if necessary, recommend revised rates of staff assessment, consequent upon changes in the base/floor salary scale. The Commission's consideration of this item is reported in paragraph 179 below.

B. Resolutions and decisions adopted by governing bodies of other organizations

13. Information was provided to the Commission on actions taken by the governing bodies of organizations other than the United Nations on matters relevant to the ICSC work programme. ICSC noted with satisfaction the evidence provided by that information of increasing coordination between the General Assembly and the other legislative organs of the common system.

Chapter III

PENSIONABLE REMUNERATION AND PENSION ENTITLEMENTS

A. Review of the special index for pensioners

14. In 1992, the United Nations Joint Staff Pension Board (UNJSPB) recalled that the special index for pensioners had been adopted by the General Assembly on the recommendation of ICSC with which the Pension Board had concurred. It therefore requested the Commission to inscribe on its work programme a review of current provisions of the special index with a view to formulating recommendations on the matter, in cooperation with the Board, for submission to the General Assembly in 1994.

15. That request was related to an agreement reached in the Pension Board in 1991 that "the special index for pensioners would continue to apply at present, and the Secretary would be requested to submit to the next regular session of the Board a study of the special index". 2/ That agreement had been part of the consensus on changes to the "Washington formula", i.e. the adjustment system for determining initial local-currency pensions for Pension Fund participants retiring in a country where the cost of living is significantly higher than at the base of the system, New York. At its forty-seventh session, the General Assembly, in its resolution 47/203 of 22 December 1992, section V, took note of the observations made by the Board in its report on the additional studies related to the pension adjustment system that would be undertaken in 1994, including the review of the special index for pensioners.

16. Bearing in mind those developments, the Commission decided to inscribe an item dealing with the issue of the special index for pensioners on its work programme for 1994. It had before it a document prepared by its secretariat in collaboration with the secretariat of UNJSPB, which analysed various ramifications of the matter.

Views of the United Nations Joint Staff Pension Board

17. The Chairman of UNJSPB reviewed developments relating to the special index for pensioners both prior to and since its implementation in January 1985. In particular, he noted that significant modifications had been made in April 1992 to the Washington formula for augmenting the amount of initial local-currency pension for staff in the Professional and higher categories. Under the previous arrangements, no adjustment to the initial local-currency pensions of retirees who provided proof of residence outside the United States had been made unless the difference in the cost of living between the place of retirement and the base of the system, as measured by the respective post adjustment classifications, was 4 or more post adjustment classes, i.e. 22 per cent or more; the maximum possible adjustment, for a post adjustment classification difference of 12 or more classes, had been 46 per cent. Under the revised (1991) system, the threshold had been reduced to 1 post adjustment class or 5 per cent, providing for a maximum adjustment, for a post adjustment class difference of 15 or more classes, of 104 per cent. It was stressed that neither the Washington formula nor the special index applied to the dollar pension entitlement under the Regulations of the Fund. Only the local-currency pensions of those retiring in countries with higher costs than at the base of the system (New York) might be involved.

18. Under the 1981 Washington formula, adjustments of the initial local-currency pensions for cost-of-living differences had taken into account only that part of the final average remuneration (FAR) which did not exceed the pensionable remuneration of a P-2, top step, official, i.e., the so-called FAR limit, while under the revised system the FAR limit was increased to P-4, top step. The objective of the original system had been to give limited recognition to cost-of-living differentials (COLD) between countries falling short of equality of purchasing power, while the revised system provided for greater recognition of cost-of-living differences and resulted in income-replacement ratios corresponding closely to those at the base. The special index is a mechanism for decreasing the COLD factors otherwise applicable, to take into account that the taxes payable on pensions in the country of retirement are lower than the staff assessment element included in the initial dollar pension from which the initial local-currency pension is derived.

19. The Commission, and subsequently the Board, should determine whether to undertake a comprehensive review of the special index procedures at that point or whether the exercise should be limited to adjusting the current provisions to correspond to the changes made in the Washington formula in 1992, i.e., to take into account the change in the FAR limit from P-2, top step, to P-4, top step. In the latter case, the other issues raised could be re-examined on the occasion of the next comprehensive reviews of the pensionable remuneration and consequent pensions of both Professional and General Service staff to be undertaken by the Commission and the Board in 1996.

Views of the organizations

20. The Chairman of the Consultative Committee on Administrative Questions (CCAQ) noted that some of the issues before the Commission were being raised, inter alia, because of the changes to the pension adjustment system that had gone into effect in April 1992. Some of those matters, e.g., the operation of staff assessment, pensionable remuneration for the Professional and higher categories and the post adjustment itself, had already been approved by the General Assembly after extensive consultation both in the Board and/or in the Commission, and were thus not a matter for discussion. Within the framework of the special index as currently applied, CCAQ wished to separate issues of a long-term conceptual nature, which should be considered as part of the 1996 review, from those that could be dealt with now on a technical basis. The Commission might thus limit its current review to the FAR limit used in special index calculations, on which point the organizations recommended that the P-2, top step, limit be replaced by P-4, top step.

Views of the staff representatives

21. The representative of FICSA stated that, while some of the proposals before the Commission were interesting, they did not reflect certain fundamental considerations of equity. Those considerations were not given importance owing to General Assembly decisions designed to safeguard the financial viability of the Fund, which had generated unequal treatment of pensioners. Examples cited referred to retirees of certain nationalities, e.g., United States citizens, who chose to retire in countries where the special index was applied and were thus de facto victims of double taxation. Another discrimination related to the fact that the special index was calculated on a dependency basis, on the assumption that there were no single retirees. The complexities of the special index, which had not been defined and which involved 17 different steps, might lead to inequities among pensioners. In FICSA's view, tax comparisons under the special

index should be made on the basis of the pensionable remuneration of a P-4, top step, official.

22. The representative of CCISUA said that it looked as if consideration of the issue would have to be postponed until the 1996 comprehensive review. CCISUA believed, however, that the level to compare staff assessment with the taxes imposed in the country of residence could be revised, for consistency's sake, from the current use of P-2, top step, to the use of P-4, step VI or top step.

Views of the Federation of the Associations of Former International Civil Servants

23. The representative of the Federation of the Associations of Former International Civil Servants (FAFICS) noted that the significance of the special index had been borne out in the debates of the Commission, the Pension Board and CCAQ. The issue was so complex that a satisfactory solution would require the services of international teams of national tax and cost-of-living experts, the representatives of pensioners and those of the administrations of the common system, ICSC and UNJSPB. FAFICS considered that many of the issues raised could not be disposed of currently and should be deferred to 1996. It favoured greater harmony between the methods for calculating the special index and the COLD factors.

Discussion by the Commission

24. The Commission recalled that the special index for pensioners, as currently applied, was geared to adjusting COLD factors determined under the original Washington formula as approved in 1980. The changes in that formula approved by the General Assembly in 1991, while retaining the basic conceptual framework of the original Washington formula, had substantially liberalized the arrangements. It was also recalled that the methodology for determining the scale of pensionable remuneration of Professional and higher category staff had been changed in 1987.

25. The Commission also noted that, in the context of the current review of the special index, various interested parties had requested that specific elements be taken into account that could have an impact on the results of the special index calculations. Those issues related to:

(a) Treatment of taxes, including the rates to be used in special index calculations (dependency versus single rates of taxation, determination of taxable income and treatment of specific taxes in individual countries);

(b) Threshold for the application of the special index: in that context a view was expressed that the special index, which resulted in the reduction of the COLD factor, should be applied only where taxes on pensions were substantially lower than those taken into account in arriving at levels of pensionable remuneration, i.e., the staff assessment rates.

26. The Commission was of the view that, as a result of the changes introduced in the pensionable remuneration methodology and the Washington formula as well as the specific issues outlined above, it would be essential to undertake an in-depth review of the following:

(a) The currently applicable procedure for calculating the special index for pensioners;

(b) The appropriate level to be used to compare staff assessment with the taxes imposed in the country of residence;

(c) The years of contributory service used in special index calculations;

(d) Consistency of treatment as regards deductions in tax calculations used for special index calculations and those used to determine staff assessment at the time of the next review of staff assessment due in 1996.

27. The Commission considered that, in the light of the change in the FAR limit for the application of the COLD factors under the Washington formula, a case could be made for changing the level used to compare staff assessment with the taxes imposed in the country of residence for the purposes of the special index. The other issues raised, however, lent themselves to consideration in the context of the comprehensive review of pensionable remuneration and consequent pensions planned for 1996. Considering that the current special index system had been implemented in 1985 (i.e., four years after the original Washington formula had gone into effect) and bearing in mind that the number of retirees affected by the special index was fairly small, the Commission considered that there was no pressing need to change at the current time one of the elements of the special index scheme, i.e., the appropriate level to be used to compare staff assessment with taxes, when the remaining elements would be addressed in 1996.

28. The Commission accordingly agreed that all aspects of the special index raised by the secretariats of ICSC and UNJSPB, along with other relevant issues that might be identified, would be addressed as part of the 1996 review of pensionable remuneration and consequent pensions.

Decision by the Commission

29. The Commission decided to report to the General Assembly that it planned to address, in cooperation with the Pension Board, all aspects of the special index for pensioners as part of the 1996 review of pensionable remuneration and consequent pensions.

B. Comparison of pensionable remuneration for the Professional and higher categories

30. Under its mandate from the General Assembly as set forth in section I of its resolution 41/208 of 11 December 1986, the Commission continued to monitor the pensionable remuneration of the United Nations common system staff in the Professional and higher categories and that of United States federal civil service employees in comparable grades. The procedure proposed by the Commission to the Assembly in 1990 and approved by the Assembly in its resolution 45/242 of 21 December 1990, was used for calculating the consequent pensionable remuneration ratio for 1994. That ratio was 112.9 including adjustment for the cost-of-living differential between New York and Washington, and 128.8 without such adjustment.

31. The income-replacement ratios applicable over the three-year period from 1 January 1992 to 31 December 1994 were also calculated for both services. They were 54.7 for the common system and 55.7 for the comparator civil service. The Commission noted that, in response to a request by CCAQ, its secretariat had identified two factors as creating the lower income-replacement ratios in the common system:

(a) The net-to-gross relationship, which reflected the tax systems at the seven headquarters duty stations for the United Nations common system, while only United States taxes were reflected on the United States side of the calculation;

(b) The reverse application of the staff assessment rates to 46.25 per cent of common system net salaries to derive pensionable remuneration.

Views of the organizations

32. The Chairman of CCAQ took note of the pensionable remuneration margin estimate for 1994 of 112.9, as well as of the income-replacement ratios for the rolling three-year period from 1 January 1992 to 31 December 1994. CCAQ was grateful for the comments of the ICSC secretariat relating to CCAQ's request to investigate which of the parameters in the methodology used to establish pensionable remuneration was causing the persistent difference between United States and United Nations income-replacement ratios. The two factors cited in paragraph 31 above were a summary analysis, which would be expanded upon by the ICSC secretariat in the context of the 1996 review of pensionable remuneration. At that preliminary stage, however, he noted that the methodology for the grossing-up procedure created a distortion from the United States national picture, which would appear to explain the persistently lower income-replacement levels in the United Nations common system than in the United States federal civil service.

Views of the staff representatives

33. The representative of FICSA noted the projected pensionable remuneration margin between the United Nations system and the United States federal civil service of 112.9 and 128.8, depending on whether the New York/Washington cost-of-living differential was considered.

34. The representative of CCISUA, noting the margin between United States and United Nations pensionable remuneration levels of 112.4, expressed the view that margin comparisons should be established not only for pensionable remuneration but for pension entitlements. In 1993, CCAQ had pointed out the persistent difference between United Nations and United States replacement ratios and had requested the ICSC secretariat to identify the causes of such differences, which it had now done in part. She further noted that the 46.25 per cent used as the basis for grossing up Professional pensionable remuneration had been determined on the basis of an amount arrived at in advance of the comparison between United Nations and United States pensionable remuneration.

35. During the revision of the methodology to determine the pensionable remuneration of General Service staff, CCISUA had pointed out that taking as a starting-point only a portion of net salary for grossing-up purposes had a negative impact on pension benefits. That artificial procedure had no parallel in any pension system in the world. To base margin comparisons on pensionable remuneration ratios alone did not give a full idea of the impact of the income replacement approach on effective income-replacement ratios. The comparator's rate of accumulation could be as high as 80 per cent of gross salary. In the United Nations, on the other hand, the rate of accumulation was capped at 66.25 per cent as per the latest revision of the system. With regard to CCAQ's query, CCISUA would like the Commission to address at its forty-first session the difference between United Nations and United States pension entitlements, taking into account the rates of accumulation corresponding to 20, 25, 35 and 40 years of service in the comparator and the United Nations.

Decision of the Commission

36. The Commission decided to report to the General Assembly:

(a) The pensionable remuneration margin for 1994 of 112.9 and 128.8 with and without adjustment for the New York/Washington cost-of-living differential, respectively;

(b) The income-replacement ratios for the three-year period from 1 January 1992 to 31 December 1994 of 54.7 and 55.7 per cent for the United Nations common system and the United States federal civil service, respectively.

37. Details of the relevant calculations are shown in annex I to the present report.

Chapter IV

CONDITIONS OF SERVICE OF THE PROFESSIONAL AND HIGHER CATEGORIES

A. Examination of the application of the Noblemaire principle

38. The Commission noted that it had reported a schedule to the General Assembly in 1993 for the completion of separate studies on the application of the Noblemaire principle. These studies were designed to enable the Commission to respond to several separate but related Assembly requests, at its forty-sixth and forty-seventh sessions in 1991 and 1992, respectively, for reports in 1994 on a number of matters concerning the basis for determining the remuneration for the Professional and higher categories. Those requests concerned the study of:

(a) The operation of the Federal Employees Pay Comparability Act of 1990 (FEPCA) and margin management over a five-year period, requested by resolution 46/191, section IV, as follows:

> "to continue to monitor further implementation of the comparator's Federal Employees Pay Comparability Act of 1990, including the impact of its locality pay provisions in 1994, and to report thereon to the Assembly at its forty-ninth session, in order to enable the Assembly to address the issue of the average margin over a five-year period around the desirable midpoint of 115";

(b) The highest paid civil service, requested by resolution 46/191, section VI, as follows:

> "to propose a methodology at its forty-sixth session for carrying out periodic checks every five years to determine which is the highest paid civil service" and "to seek the views of the General Assembly on this matter after the completion of phase I of the methodology";

(c) United States special pay systems, requested by resolution 46/191, section VI, as follows:

> "to analyse the potential consequences of the Federal Employees Pay Comparability Act of 1990 on the pay levels of the current comparator, the United States federal civil service, and report thereon to the General Assembly at its forty-ninth session. In this analysis, the Commission should also provide full details of all the special pay systems which have been introduced by the comparator civil service";

(d) The application of the Noblemaire principle, requested by resolution 47/216, section II (c), as follows:

> "reiterates its request to the Commission to complete phase I of its study leading to the identification of the highest paying civil service, and to report thereon to the General Assembly at its forty-ninth session, and in this context invites the Commission also to study all aspects of the application of the Noblemaire principle with a view to ensuring the competitiveness of the United Nations common system";

(e) The structure of the salary scale, requested by resolution 47/216, section II (g), as follows:

"invites the Commission to continue to keep under review the structure of the salary scale at all levels of the Professional and higher categories, taking into account, inter alia, the overall level of the margin as established by the General Assembly and the imbalance between the margin levels for different professional grade levels, and report thereon to the Assembly at its forty-ninth session."

39. The Commission's intent, as indicated in its 1993 report to the Assembly, was to study the various interrelated items concurrently and to provide the Assembly with a consolidated report in 1994. While the Commission reviewed studies on all the items listed in paragraph 38 above, it was apparent that in particular sub-items 38 (b) and 38 (d) required additional work. The study concerning the identification of the highest paid national civil service was dependent upon the receipt of considerable amounts of data which were yet to be received from the potential comparators. Likewise, with regard to the study on the application of the Noblemaire principle, the Commission considered that it was not in a position to provide a full report to the Assembly at the present time. It is, however, reporting on its consideration of a CCAQ study of recruitment and retention difficulties. Information on this report and the Commission's conclusions are reported in paragraphs 141 to 161 below.

Views of the organizations

40. The Chairman of CCAQ noted that the issues raised were interlinked. He recalled that the resolution had invited the Commission to study all aspects of the application of the Noblemaire principle with a view to ensuring the competitiveness of the United Nations common system. Moreover, it requested the Commission to report on those matters to its forty-ninth session in 1994. Unfortunately, in CCAQ's view, not all aspects of the application of the principle had been reviewed. There was no direct reference to the application of the Noblemaire principle nor to the appropriateness of that principle to the world of 1994. No mention had been made of the matter of supplementary payments, which CCAQ believed had a significant bearing on the application of the principle.

41. He referred to the research studies that CCAQ had carried out in respect of the compensation philosophy of the League of Nations and the United Nations. He regretted that, to date, the Commission had not drawn more on those studies in its work on the matter. It was evident to CCAQ that, seen from the historical perspective:

(a) The Noblemaire Committee (1921) did not enunciate a principle: the principle was deduced from the report of the Committee of Experts chaired by George Noblemaire;

(b) From 1932 onwards, there had been widely divergent views as to the manner in which the Noblemaire principle should be applied;

(c) There had been a general agreement that there must be a basic yardstick against which to measure the adequacy of international salaries, but there had been no consensus as to what that yardstick should be.

In reviewing all aspects of the application of the principle, it would be incumbent on the Commission, in light of the analysis of the points raised, to conclude on the appropriateness of the current margin range.

42. CCAQ was also gravely disappointed that there appeared to be no recommendations forthcoming to the 1994 session of the General Assembly even on those matters where it appeared that there was no technical reason for not making recommendations either in principle or of substance or in some cases both. It was CCAQ's view that the Commission had not responded to the mandate set forth by the Assembly in 1992 in resolution 47/216 or to the repeated calls of the Administrative Committee on Coordination (ACC) for action in respect of the competitivity of United Nations common system remuneration.

43. He therefore urged the Commission to make recommendations to the Assembly in respect of:

(a) Action in relation to the United States FEPCA legislation;

(b) The inclusion of special pay systems in the margin calculations and to move forward with urgency on the other studies related to the Noblemaire principle as well as to initiate a review of those aspects of the application of the principle that had not so far been looked into.

Views of the staff representatives

44. The representative of CCISUA stressed the interrelated nature of all issues under the agenda item and the need to deal with them in a coordinated fashion. Regarding the application of the Noblemaire principle, she noted that CCAQ had submitted to the Commission a substantial amount of information on which the Commission had yet to pronounce itself. She also noted that the study of the best paid and other international organizations were not yet available. She further noted that, under resolution 46/191, the Assembly had requested the Commission to submit to it a complete study on the best paid national civil service by 1994. Given the biennialization of the work of the Fifth Committee, that meant a two-year delay which, in CCISUA's opinion, was not only regrettable but unacceptable.

45. With regard to special pay systems, margin management in the context of the implementation of the FEPCA legislation and the structure of the salary scale, she considered that there was no reason to delay a decision on those issues and CCISUA expected the Commission to take one at the current session.

46. The views of FICSA appear under various sub-items.

Discussion by the Commission

47. The Commission considered that, in order fully to address the Assembly's request, a fundamental substantive discussion of the application of the Noblemaire principle was required. It considered whether such a discussion should not be completed before examining the details of each sub-item included in its review. It noted, however, that some technical items could be dealt with in the short term while others required a longer-term study.

48. The Commission considered that the application of the Noblemaire principle should be treated as a first priority at its forty-first session. In that regard, some members wished the Commission to review all aspects of the application of the principle in the context of the change in world realities since formulation of the principle in 1921.

49. The Commission noted the interrelated nature of the various sub-items. The determination of whether the Swiss or German civil services were better paid

than the present comparator was dependent upon finalization of the method required to reflect properly special pay systems in the United Nations/United States margin comparisons. How special pay systems were considered in the calculations of United States pay could influence the result of the comparison to determine the highest paid civil service. The most up-to-date information on the United States civil service pay would be available after the 1995 grade equivalency exercise. Finally, while certain conclusions could be drawn about an appropriate structure for the salary scale, the opportunity to act on that concept was linked to a "real" pay raise. The Commission also noted that structural problem related to comparison with the United States and the progression of its pay scale. Early data appeared to indicate that the imbalances would be reduced or eliminated if Germany or Switzerland was determined to be the appropriate comparator.

50. The Commission noted that it would have been preferable first to address broad policy considerations before considering the detailed issues. Given the need to address specific questions, however, in order to permit studies to proceed, it considered that the broader discussion of the item could be conducted only at a later stage. The Commission expressed the view that a number of items, inter alia, the evolution of exchange rates, the role of the expatriation element and supplementary payments would need to be addressed in examining all aspects of the application of the Noblemaire principle.

Decision by the Commission

51. The Commission decided to report to the Assembly that:

(a) It had made a number of decisions as reported under each sub-item below;

(b) It intended to continue to study all aspects of the application of the Noblemaire principle that required a longer-term review;

(c) It would provide the Assembly with a report on all issues in 1995.

(i) Developments pertaining to the comparator's Federal Employees Pay Comparability Act of 1990

52. In order to respond to the Assembly's request cited in paragraph 38 (a) above, the Commission examined information on the pay-setting mechanism of the comparator both before and after the implementation of FEPCA. The Commission reviewed the features of the FEPCA legislation, particularly as related to annual pay adjustments based on the movement of the employment cost index (ECI) and locality-based comparisons. In addition, the Commission reviewed the comparator's use of various other features, such as special pay systems, recruitment/relocation bonuses; retention allowances, and authority to establish pay levels for specified critical positions. The future impact of the implementation of FEPCA on margin management and the five-year average margin was examined under a number of different scenarios. It was noted that, if the full pay raises envisioned in the FEPCA legislation were implemented over the nine-year period 1994-2002, United Nations common system salaries would need to be adjusted upwards by about 25 per cent above inflation for the period as a whole. In that context, the Commission was provided detailed information as regards annual salary adjustment mechanisms that could be used to maintain a specified relationship with the pay raises mandated in the legislation as opposed to the actual pay raises granted to the United States civil service.

53. The Commission was informed that the primary feature of FEPCA - the introduction of locality pay combined with ECI adjustments to close the gap between federal civil service pay and the non-federal sector - had not been fully implemented as originally legislated for 1994. In 1994 the ECI adjustment of 2.2 per cent had been withheld and the comparator was currently considering raises for 1995 that would be less than half of the amount envisioned under FEPCA. It was not clear at the present time that the United States was currently committed to closing the pay gap of approximately 30 per cent between federal civil service pay and non-federal pay over the next eight years.

Views of the organizations

54. The Chairman of CCAQ recalled CCAQ's long-standing position that the United Nations system should not be a carbon copy of the United States civil service. He therefore preferred an adjustment mechanism, in the context of FEPCA, that provided for adjustments on the basis of whole percentages and allowed for a softer application of adjustments, bringing the United Nations/United States annual margin around 115, i.e. between 114 and 116, rather than rigidly imposing a 115 margin as proposed under one approach. He saw no technical reason for putting off a recommendation to the Assembly beyond 1994.

55. He noted the possibility that FEPCA might be less than fully implemented, which underlined CCAQ's often repeated concern that United Nations pay could not be left to the whim of the national policy considerations of one Member State. The International Civil Service Advisory Board (ICSAB), the forerunner to the Commission, had said the same thing in 1967 when it expressed concern at the unsatisfactory link of United Nations pay to a particular national service whose pay could be subjected to internal policy considerations that had no validity for international service.

56. He considered that any suggestion that the United Nations should - on the basis of the comparator's domestic political considerations - alter course in respect of the implementation of the FEPCA legislation not only moved the goalposts, it took away the playing-field on which United Nations pay was developed. He further considered that the United Nations must pursue its course based on the goals laid down by the United States Congress in adopting the FEPCA legislation, i.e. that the rates of pay for federal employees should be set at levels which, on a local basis, would be 100 per cent of the rates of pay for their non-federal counterparts.

57. He therefore proposed that the United Nations adjust pay levels in 1995 to maintain full comparability with the United States intended increase of approximately 4.8 per cent. He asked the Commission to go forward to the Assembly in 1994 with a proposal for an appropriate increase. He estimated that, taking account of the anticipated cost-of-living increase in New York in November 1994 of some 2.5 per cent, an adjustment of 4.5 per cent was required in United Nations pay levels in order to avoid a situation in 1995 where the Commission would have to request much larger increases that might well have difficulty finding favour in the General Assembly.

Views of the staff representatives

58. The representative of FICSA noted that the margin gave rise to a practical problem only when it was used to control remuneration. Until United Nations salaries were either directly tied to the salaries of the comparator, totally disassociated from the salaries of the comparator or freed from the margin range, they would continue to suffer from an uneven common system salary

progression resulting in freezes and thaws. FICSA agreed that entering into a lock-step relation with the salary system of a single Member State was unwise, since it would be subjected to the political and economic vagaries of that Member State. As an alternative, it would be possible to establish a basket of comparator Member States - with resulting technical complications - or to set them arbitrarily - with resulting political complications.

59. Another possibility proposed by the representative of FICSA was to relate common system salaries to those of other international institutions such as the World Bank, an international organization with many similarities to the United Nations and its specialized agencies. While FICSA did not necessarily advocate using the World Bank, it wished to point out the advantages of using a similar comparator.

60. FICSA remained of the view that United Nations salaries should shadow FEPCA as originally legislated. If FEPCA was not implemented as legislated, the margin cap should be suspended until the comparator's salaries reached the level they should have had according to the legislation. During that period, base salaries would continue to be adjusted for the normal cost-of-living fluctuations in New York while the remainder of the change would be given as a true salary increase.

61. The only other alternative, and FICSA's second choice, would be the proposal made by CCAQ at the Commission's last session to be implemented for the period during which FEPCA increases exceeded New York cost-of-living increases, allowing the margin to fluctuate around 115. If FEPCA increases were less than the annual New York cost-of-living inflation the New York consumer price index (CPI) should be used and the margin range should be allowed to increase above 115.

62. The representative of CCISUA said that the Assembly's 1984 decision to replace a pragmatic approach to margin measurements with the establishment of a fixed 110-120 margin range, together with its 1990 decision whereby the margin should average around 115 over a five-year period, had seriously distorted the functioning of the post adjustment system and created a recipe for a succession of freezes.

63. CCISUA believed that the approach to margin management should be reviewed. In particular, it was necessary to measure the expatriation component properly, taking into account, inter alia, the loss for international staff of a second income, an aspect that was of no relevance at the time when the Noblemaire principle had been established but was an unavoidable reality of modern life. From data made available at the Commission's thirty-ninth session, it was apparent that the current margin range was lower than the differentials paid by certain national civil services, including the current comparator.

64. The United States federal civil service was not a competitive employer. By its own recognition, it lagged behind the private sector, its own comparator, by approximately 25 to 30 per cent. The FEPCA legislation had been adopted in 1990 in order to correct that situation. The Commission had used that argument to slow down progress on the study of the highest paid national civil service by determining that it should be conducted in two phases. The Commission was supposed to have submitted such a study to the General Assembly at its forthcoming session. That, however, would not be possible since the study had yet to be completed. The same was true of the study concerning other international organizations.

65. On the one hand, the FEPCA legislation was not being implemented as envisaged; on the other, the Commission was not in a situation to determine whether there was a higher paying national civil service. Given the biennialization of the work of the Fifth Committee, that meant a two-year delay.

66. CCISUA believed that the margin between United Nations/United States net remuneration should be calculated for the period until the study of the highest paid civil service was concluded as if the FEPCA legislation were being implemented as originally envisaged.

Discussion by the Commission

67. The Commission noted that FEPCA was designed to reduce the pay gap with the United States non-federal sector by the year 2002. It considered that the growth in the comparator's special rates programme from approximately 11,000 staff in 1978 to over 200,000 staff today demonstrated the non-competitive remuneration position of the General Schedule of the comparator. The Commission was informed that those statistics included significant numbers of clerical staff and related to the United States as a whole. Specific numbers of professionals in Washington alone would be much lower. Detailed statistics of the breakdown between professional and clerical staff receiving special pay rates in Washington were not, however, available. It was also noted that the number of United States federal civil service staff receiving special pay rates should decline if FEPCA was fully implemented because the FEPCA pay raises would not be granted to those receiving special rates. Therefore over time the pay gap between regular and special rates should close.

68. The Commission considered that the comparator's implementation of the locality-pay provisions of FEPCA in 1994 demonstrated an initial willingness to begin closing the pay gap between the United States federal civil service and the non-federal sector. It noted, however, that FEPCA had not been fully implemented in 1994 since an ECI increase of 2.2 per cent had not been granted by the comparator for budgetary considerations. It further noted that the 1995 salary increase for the comparator was currently being considered and that the final outcome was uncertain. It appeared that the full implementation of FEPCA, as legislated, would not be possible as a result of the budgetary/political considerations of the comparator.

69. The Commission considered the proposal of CCAQ for basing United Nations salaries on the pay rates envisioned by FEPCA rather than the actual raises granted the United States civil service. Under that scenario, a 4.5 per cent increase in real salaries of the Professional and higher categories would be recommended in 1995. It noted that the 4.5 per cent increase was based on FEPCA provisions as legislated but not currently implemented. It further noted that the CCAQ proposal included the future tracking of FEPCA based on the legislated provisions rather than the actual implementation as it might be in future. Some members considered that basing pay on FEPCA as legislated while ignoring actual pay of the United States civil service would be a rejection of the Noblemaire principle. Those members were of the view that the Noblemaire principle stated that pay was to be set by reference to the highest paid national civil service. The rates in FEPCA were based on non-federal pay rates. Until such raises were granted to the United States civil service, the FEPCA rates would not reflect United States civil service pay. It was noted that, if 50 per cent of the increases legislated by FEPCA were granted to the federal civil service, while the common system followed the increases legislated under FEPCA, i.e., 100 per cent, the net remuneration margin would be approximately 125 in the year 2002. If none of the FEPCA increases were implemented by the United States

and the common system adjusted by 100 per cent of the legislated FEPCA amounts, the margin would reach 145 in the year 2002. The Commission's secretariat pointed out the hypothetical nature of such margin levels in view of the 110 to 120 margin range approved by the General Assembly.

70. Some members considered that it was desirable to avoid reflecting internal political considerations of the comparator's pay-setting process in determining United Nations common system remuneration. Others pointed out that pay freezes in national civil services were not uncommon and that three of the services considered in phase I of the highest paid study had some pay freezes in place. One member noted that, in the common system, there was a very rigid approach not only to pay-setting but to most other areas of personnel policies. Several other members indicated their agreement on that point. The approach was unlike any encountered in the member's extensive experience with other international and national civil services. That member expressed the view that an appropriate interpretation of the Noblemaire principle would permit the use of FEPCA salaries as legislated for comparison purposes, while at the same time recognizing that an argument could also be made for actual salary levels as implemented under FEPCA. In any event, several members considered that the entire issue should be thoroughly explored under the application of the Noblemaire principle.

71. The Commission examined a number of scenarios that projected common system remuneration over the next several years in a manner designed to maintain the level of the margin above the bottom of the margin range (110) and near the desirable mid-point of 115. It noted that all of the scenarios were based on the assumption that, under FEPCA, salary movements would be greater than inflation in order to meet the stated objective of closing the salary gap by the year 2002. In the first year of the gap-closing measures, the comparator had slipped behind the stated objective. Therefore, it did not seem that any of the scenarios were currently relevant because they did not reflect actual, or currently anticipated, pay for the United States civil service.

72. The Commission noted that several of the scenarios presented were based on the assumed maintenance of a five-year margin around 115 pursuant to General Assembly resolution 46/191. However, the five-year period of concern to the Assembly at that time had related to 1990-1994. It recalled in that regard that, when the five-year average margin was established, the annual margin was near the top of the margin range. One member suggested that the use of a rolling five-year margin rule (i.e., updating the average every year by adding the most recent year and dropping the earliest year) would provide a benefit for staff, albeit a small one, two years or so hence. However, the Commission did not proceed to specify the particular method of calculation that would be used in connection with the application of a five-year 115 rule. Preliminary consideration to a rolling five-year rule was given along with the possibility of an arrangement similar to that used for 1990-1994 by adoption of a rule for 1995-1999. It was agreed to revert to the specifics of a margin of 115 for a fixed period, a rolling period or simply a margin range after further study at the spring 1995 session.

73. Some members of the Commission noted that, with the implementation of FEPCA and its locality-pay provisions, the Noblemaire principle would be acquiring some features of the Flemming principle, particularly with regard to the measurement of best prevailing local conditions. It noted, however, that the comparator's locality-pay provisions were based on average salary levels prevailing in the local labour market and not the best prevailing conditions. Others pointed out that the Noblemaire principle called for a comparison with

civil service pay not with private-sector pay. Those members considered that the only concern was to ensure that the highest paid national civil service was selected. One member of the Commission considered that the application of the Noblemaire principle required re-evaluation in view of the introduction of FEPCA and its 29 separate locality-pay scales as opposed to the previously existing single national scale. That was particularly necessary with regard to the selection of the place of comparison. In that context, one member pointed out that the General Assembly had asked the Commission to examine all aspects of the application of the Noblemaire principle and to monitor FEPCA, including the impact of its locality-pay provisions.

74. Other Commission members recalled that the choice of comparison locations (i.e., Washington for the comparator and New York for the common system) had been extensively discussed in prior reviews of the remuneration comparison process. Most recently it had been considered during the 1989 comprehensive review of the conditions of service of the Professional and higher categories. Those members considered that all the reasons specified at that time for retaining New York and Washington as the comparison locations remained valid. The Commission noted that the General Assembly had endorsed the current procedure, which had been in continued use since 1976 with its approval.

75. In discussing the competitivity of the common system remuneration levels, the Commission noted the long-standing problem of supplementary payments. Some members considered those payments to represent an alarm signal indicative of weaknesses in the United Nations remuneration system. It noted that Member States that made provisions for supplementary payments did not have a very positive attitude towards increases in United Nations remuneration. It appeared, however, that supplementary payments were considered necessary by some Member States to convince their nationals to serve in the common system. It was also mentioned that, if the comparator's remuneration were competitive, there would not have been any need to enact the FEPCA legislation.

76. It was recalled that the salary levels of the United Nations common system for the Professional and higher categories had been frozen from 1985 to 1990/1991 depending on the specific situation at each duty station. That had resulted in an approximate decrease of real salary levels in the order of 17 to 18 per cent. Although other national civil services had experienced, and were experiencing, sporadic freezes in salary levels, the duration of the common system freeze was highly unusual.

77. The Commission readdressed an issue that had been raised at the time of its comprehensive review of the remuneration system of the Professional and higher categories in 1989, namely, the use of a basket of comparators instead of a single comparator. It noted, however, that any use of a basket of comparators would require further study in the longer term.

78. As 1994 was a personnel year based on the biennialization of the Assembly's work programme, the Commission expressed a desire to proceed with initial recommendations that the Assembly could address in 1994 while continuing study on items that required further work. Whatever initial measures the Commission decided to recommend, it considered that the long-term studies should be completed within a two-year period. In examining a number of initial measures that could be recommended, it considered the possible incorporation of features of the five-year average margin and the CCAQ proposal for a 4.5 per cent real salary increase. It noted that the CCAQ proposal would mean that the margin would rise above 115 in 1995 and would soon breach the upper end of the margin range, necessitating another salary freeze thereafter. The Commission had long

expressed the view that it was an undesirable remuneration practice to grant significant salary increases followed by freezes. It considered that it would, however, be desirable to maintain the average margin around the mid-point of 115 over a five-year period.

Decisions of the Commission

79. The Commission decided to report to the General Assembly that:

(a) A number of FEPCA provisions were relevant for net remuneration margin comparisons and, where appropriate, had been incorporated into margin comparisons;

(b) FEPCA had established a number of new pay systems that the Commission intended to review at the time of the next United States/United Nations grade equivalency study in 1995;

(c) A number of FEPCA provisions were being gradually implemented within the United States federal civil service and the Commission intended to monitor the application of those provisions for possible relevance to the United Nations common system;

(d) ECI and locality-pay increases under FEPCA would, if fully implemented over the nine-year period 1994-2002, result in a need to adjust United Nations salaries upwards by about 25 per cent above inflation changes for the period as a whole under the current margin range;

(e) Although the locality-pay provisions of FEPCA had been fully implemented in July 1994, the ECI increase of 2.2 per cent in 1994 had not been implemented. The 1995 implementation of FEPCA was being formulated at the time of the Commission's session in July 1994. According to proposals in the United States Congress, it was possible that neither the ECI nor locality-pay provisions of FEPCA would be fully implemented in 1995;

(f) It would be desirable to maintain the average margin over a five-year period around the mid-point of 115;

(g) United Nations salaries should continue to be compared to the actual salaries of the comparator.

(ii) Reflection of the comparator's special pay systems in margin calculations

80. In order to respond to the Assembly's request cited in paragraph 38 (c) above, the Commission examined information on 116 of the comparator's pay systems. It considered criteria that could be applied in determining which of the various United States federal civil service pay systems were relevant to net remuneration margin calculations. Some of the pay systems had previously been reviewed by the Commission. In particular, the special pay systems of the following 11 United States government agencies had been reviewed in 1992 and were reviewed again in 1994:

(a) Federal Deposit Insurance Corporation (FDIC);

(b) Federal Reserve Board (FRB);

(c) National Institute of Standards and Technology (NIST);

(d) Government Printing Office (GPO);

(e) Farm Credit Administration (FCA);

(f) Office of the Thrift Supervision (OTS);

(g) Office of the Comptroller of the Currency (OCC);

(h) National Credit Union Administration (NCUA);

(i) Resolution Trust Corporation (RTC);

(j) General Accounting Office (GAO);

(k) Federal Housing Finance Board (FHFB).

Others had been more recently established, e.g., with the implementation of FEPCA. Under normal Commission procedures, inclusion of those new FEPCA pay systems in net remuneration margin comparisons would be considered at the time of the next grade equivalency study.

81. The Commission further examined how United States federal civil service pay systems could be incorporated in the comparison process particularly as related to:

(a) The use of an averaging method; or

(b) The selection of the appropriate United States federal civil service pay system for each occupation included in the comparison.

82. The Commission decided to examine the issue, noting that it had not, in prior reviews, substantively addressed the weighting procedure to be used. The current weighting procedure reflected a number of incremental changes that had evolved in response to the establishment of new or revised pay systems of the comparator. The current weighting procedure used the number of incumbents in each occupation of the relevant comparator pay system at each relevant grade. Since the General Schedule represented the largest comparator pay system included in the calculation, the current procedure of calculating weighted salary averages largely reflected the salary levels of the General Schedule. Consequentially, special pay systems, representing relatively few staff in the comparator system had been minimally reflected in margin comparisons. The secretariat informed the Commission that, as a result, incremental changes did not fully reflect the better paid comparator pay systems in the comparison process.

83. Under current circumstances, a number of United States federal civil service staff were at salary levels within the comparator's special pay systems that were above those of staff in comparable positions in the common system even without taking into consideration margin and cost-of-living measurements.

84. The Commission examined alternative methods for incorporating the comparator's special pay systems in net remuneration margin measurements. Those methods were outlined by the secretariat as follows:

(a) The selection of the highest paying system, by occupation, for comparison purposes. That procedure would ensure that no occupation within any comparator pay system would be paid more, on average, than the comparable occupation within the common system;

(b) The use of an equal weighting method that would give the better paid comparator pay systems the same weight in the aggregation process as those not so well paid;

(c) The use of a logarithmic weighting method that would reduce the weights of the larger comparator pay systems (currently not the better pay systems) in the aggregation process.

The above methods were proposed as alternatives to the current method as an attempt to ensure better fulfilment of the Noblemaire principle. Each of them would have resulted in revised margin calculations that would have shown lower margins between United Nations and United States remuneration than current calculation procedures indicate. The Commission was informed that the margin under the current methodology was 113.0. Selection of the "highest paying method" would reflect a margin of 98.4. Use of "equal weighting" would result in a margin of 109.7. Use of logarithmic weighting would produce a margin of 110.6.

Views of the organizations

85. The Chairman of CCAQ recalled that in 1990, ACC had requested the Commission to take action in respect of the special pay systems in margin calculations. He urged the Commission most strongly to incorporate the relevant United States federal civil service pay systems of the 11 agencies reviewed in 1992 in the remuneration margin calculations. All other relevant comparator pay systems should be reviewed in 1995 for possible incorporation.

86. He considered that the margin had to be calculated on the basis of whichever was the best paying federal civil service pay system for each occupational group of relevance to the common system in consonance with the Noblemaire principle. The inclusion of the special pay systems on that basis would be one way of reducing the extent to which the Member States made recourse to supplementary payments.

Views of the staff representatives

87. The representative of FICSA noted the suggestion to include the special pay systems of 11 United States agencies in the margin calculation. As those systems met the criteria adopted by the Commission and grade equivalency and pay-level data were available for these systems, FICSA supported their inclusion. It expected that other special pay systems, selected in line with the Commission's criteria, would be reviewed at the time of the next grade equivalency study. He further suggested that the Commission consider foreign service-type pay systems together with the additional 10 pay systems classified by the secretariat as being possibly relevant to the comparison system.

88. The representative of FICSA noted that the weighting method chosen should depend on policy considerations. In the Federation's view, the Noblemaire principle would be best respected by selecting the highest pay for each equivalent job. He also noted that the Commission's decision on that matter would influence the study on the best paid civil service, as the pay systems used for margin calculations should also be used in that study.

89. The representative of CCISUA noted that the fragmentation of the comparator's remuneration system reflected its attempt to cope with recruitment and retention problems given budgetary constraints. That situation had prompted the United States to resort to a piecemeal approach consisting of increasing salaries only whenever and wherever it felt was necessary to do so according to its own priorities. In the end, such a piecemeal approach proved inadequate, as had been implicitly recognized by the United States Government with the adoption of the FEPCA legislation.

90. The Commission established certain parameters for reviewing United States pay systems to be included in margin calculations. Using the best pay systems for each occupational group of the comparator civil service seemed to be, conceptually, the most appropriate in accordance with the Noblemaire principle. What seemed inescapable, however, was that the current system of weighting, under which the General Schedule played such a dominant role, was not adequate.

91. CCISUA believed that margin calculations should incorporate the special pay systems of the United States government agencies answering the criteria established by the Commission on the basis of a comparison of functions. The weighting methodology should be revised with a view to using equal weights for all systems used in the comparison. CCISUA considered it essential to take into account in margin calculations for 1994 the pay systems of the 11 agencies examined by the Commission in 1992.

Discussion by the Commission

92. The Commission recalled that it had reviewed various aspects of the item in both 1992 and 1993 in the context of establishing possible special occupational rates within the common system. In 1992 the Commission had decided to report to the General Assembly that, on the basis of the information available, it was of the view that special occupational rates could be introduced in the common system as a means of addressing recruitment and retention problems for some specialized technical fields. The Assembly endorsed that approach in principle and invited the Commission to address the modalities for the payment of special occupational rates. 4/

93. In 1993 after further consideration the Commission had concluded that the organizations pursuing special occupational rates, i.e., higher pay rates for specific occupations with recruitment/retention problems, were, in fact, interested in implementing special agency rates, i.e., special pay systems that were paid across-the-board to all staff of an agency. The Commission had previously rejected that approach and continued to consider it unjustified in the common system. The Commission intended to keep abreast of developments in occupational rates, but considered that it would not be appropriate to recommend a system of special occupational rates to the Assembly at that time. 5/

94. Some members, in reviewing the chronology, indicated that they did not consider it appropriate to include special pay systems in the margin calculation process because special occupational rates were a viable option for the common system. The pay should not be spread across-the-board but used only where there were recruitment/retention problems. Other members recalled that some special pay systems had been included in margin calculations since 1978. It was also noted that the Commission as a whole supported special occupational rates for the common system, under certain conditions. None the less, special occupational rates had not been established within the common system, while most of the comparator's special pay systems were not being reflected in net remuneration margin comparisons. One member considered that some comparator

staff were paid rates above common system ones because special occupational rates had not been implemented in the common system although the concept had originally been approved by the General Assembly. The Commission, however, considered that, under the Noblemaire principle, it should be possible to attract and retain staff from the country with the highest paid civil service. It therefore considered that it would be unfair not to take account of the special pay systems of the comparator in some fashion.

95. Some Commission members noted that, if only some special pay systems were used for margin calculation purposes, it lessened the chances that comparators other than the current one would be found to be the highest paid. Conversely if only the General Schedule, which was one of the pay systems of the United States federal civil service, was taken for purposes of margin calculations, it was more likely that a comparator other than the current one would be determined to be the highest paid national civil service.

96. The Commission noted that it did now, and had for a number of years, included in margin calculations United States federal civil service pay systems that departed from the General Schedule, e.g., the Senior Executive Service (SES). The Commission's inclusion of such pay systems would continue to be necessary, as the United States federal civil service evolved.

97. In examining the criteria it had applied in the past in determining the relevance of particular United States federal civil service pay systems to margin calculations, the Commission noted that no definition of the United States federal civil service had been developed in that context. One Commission member considered such a definition essential, particularly in view of comparisons between the United States federal civil service and other national civil services in the context of the study of the highest paid national civil service. Other members considered that any definite determination in that regard should be pragmatic; a specific definition had not been considered necessary for more than 40 years. It was also noted that in any event the configuration of the comparator service was constantly evolving.

98. The Commission considered the criteria that had been applied in the past in selecting comparator pay systems for margin calculations to be largely satisfactory. It might, however, be necessary to establish a specific number of United States federal civil service staff in professional occupations that should be in a pay system before it could be considered for inclusion in margin calculations. The criteria for the selection of special pay systems was thoroughly discussed and are reflected in the decisions in paragraph 105.

99. The Commission recalled that it had concluded that recruitment and retention problems within the common system were limited to a few occupations and geographic areas (see paras. 141-161 below). On the other hand special pay systems of the comparator would not have been established if the comparator had no recruitment and retention problems. Indeed, it was noted that the Volcker Commission, established by the comparator to examine problems within the federal civil service, had concluded that high-quality staff could no longer be recruited in sufficient numbers, particularly from the best universities. To the extent that the full impact of the comparator's special pay systems were not currently being included in the comparison, recruitment and retention problems and related issues of quality of staff would also apply in the common system.

100. The Commission noted that, when FEPCA was established, there was an expectation that the need for special pay systems within the comparator would diminish since the intent was to close the pay gap with the non-federal sector,

thereby reducing recruitment and retention difficulties. None the less, the FEPCA legislation had itself established a number of new special pay systems and, with the continued lack of full implementation of FEPCA, any expectation that the comparator's special pay systems would diminish might not be realized.

101. The Commission reviewed information that compared remuneration levels of a number of industrialized countries for selected years over a 40-year period. The data provided were not specific with regard to civil services nor adjusted for any cost-of-living differences between the countries. The data nevertheless showed that the difference in real income levels between eight of the countries and the United States (the ninth country shown in the data) had gradually but significantly diminished over the years, thereby reducing the competitivity of the comparator. Some members felt that the trend shown in those data had implications for the remuneration levels in the common system, based as it was on remuneration levels of the comparator. It was noted in that context that all organizations of the common system had requested the Commission to re-examine the levels of remuneration resulting from the present application of the Noblemaire principle even though they were experiencing organizational restructuring and down-sizing.

102. Some members of the Commission considered it to be a distortion of the United States federal civil service to include the comparator's special pay systems in the remuneration comparison process, while others considered it to be a distortion of the Noblemaire principle not to reflect the comparator's special pay systems in the comparison. If, however, the comparator's special pay systems were to be included in the comparison process, the question of what weight to apply to the special pay systems in calculating United States average remuneration at different grade levels had to be addressed. The Commission examined three new approaches proposed by its secretariat (selection of the highest paying system for each occupation, equal weighting and logarithmic weighting) as well as the appropriateness of retention of the current approach. The current method provided for representation of some of these pay systems in the comparison process using the actual number of United States federal civil staff within each pay system at each relevant grade for all occupations determined to be comparable to each of the occupations used in the remuneration comparison process.

103. If the special pay systems of the 11 agencies had been fully reflected in the margin calculation with the current methodology, the impact on the net remuneration margin would have been 0.4 percentage points. A similar impact on the margin could be expected in 1994 if the same occupations were selected for those pay systems.

104. Some Commission members considered that that proposal did not address the issue of the undue dominance of one United States pay system in the current comparison process, i.e., the General Schedule. Since the General Service was generally the lowest paid of the various pay systems applicable to professional staff, the undue dominance of that pay system in the comparison appeared to be a contravention of the Noblemaire principle. In that connection the secretariat reminded the Commission that efforts were made in General Service surveys to reduce the dominance of very large employers based on the rationale that one employer, because of its size, could completely overwhelm the salary information provided by other smaller employers, thereby making their salary information ineffective. In measuring the United States federal civil service with its numerous pay systems, the General Schedule, because of its size, dominated the remuneration comparison process just as it dominated pay in the United States federal civil service. Other members felt that use of actual numbers would

continue to be most appropriate because that method reflected the actual pay practices of the comparator.

Decision of the Commission

105. The Commission decided that it would report to the General Assembly that it had reviewed all relevant pay systems of the United States federal civil service and that it decided:

(a) To reflect fully all relevant occupations of each of the comparator's special pay systems of the 11 United States government agencies reflected in paragraph 80 above;

(b) To continue to use as weights in the remuneration averaging process, the actual number of incumbents in each relevant occupation of each special pay system;

(c) To keep under review further developments in the United States federal civil service as they related to the establishment of new or revised pay systems and to review any new or revised pay systems at the time of the next grade equivalency study in 1995, for possible inclusion in United Nations/United States net remuneration margin comparisons;

(d) To apply the following criteria in reviewing United States federal pay systems for inclusion in United Nations/United States net remuneration comparisons consistent with its decision in subparagraph 105 (c) above:

(i) Whether the pay system employed staff in a professional category;

(ii) Whether those professional staff were located in Washington;

(iii) Whether the professional staff located in Washington were in occupations of relevance to the comparison process;

(iv) Whether there were sufficient numbers of United States federal civil service staff in the professional category in the relevant jobs to make a comparison worthwhile;

(v) Whether the pay system had a structured approach to job classification and pay-setting.

(iii) Identification of the highest-paid civil service

106. The identification of the highest-paid national civil service for use under the application of the Noblemaire principle represents a long-standing mandate of the Commission and has been the subject of a number of General Assembly resolutions. At its thirty-ninth session, the Commission considered an analysis of the remuneration levels of 11 potential comparators determined on the basis of the methodology for identifying the highest-paid national civil service as approved by the Commission and endorsed by the Assembly in 1991. Subsequently, three potential employers (Germany, Switzerland and Japan) were selected for further analysis under the phase I part of the methodology, consisting of an analysis of their cash and any significant non-cash compensation levels vis-à-vis those of the current comparator (United States federal civil service). Subject to the refinement of a methodology to account for cost-of-living differences between the headquarters of each of the potential comparators and

that of the current comparator, phase I of the analysis indicated that a phase II study, i.e., an analysis of all the relevant remuneration elements, could be considered. The Japanese civil service did not seem to qualify for a phase II exercise. The Commission decided to proceed to a phase II study of the German and Swiss national civil services.

107. The application of the Noblemaire principle in the context of the competitiveness of common system salary levels was also addressed, including possible comparisons with other international organizations such as the World Bank, the coordinated organizations and the European Union. The Commission decided to limit the phase II analysis to the national civil services, while collecting information on the World Bank and the Organisation for Economic Cooperation and Development (OECD) for reference purposes.

108. Subsequent to the above decisions the Commission, at its fortieth session, considered a progress report by its secretariat on the initial stages of the study.

Views of the organizations

109. The Chairman of CCAQ noted that CCAQ had no difficulty with the secretariat's proceeding with phase II of the study in respect of the national civil services and that further research might be carried out on the French civil service. CCAQ insisted that a comparison with other international organizations was justified by the provisions of General Assembly resolution 47/216.

110. CCAQ had conducted research into the history of compensation philosophy in the League of Nations and in the United Nations system, which showed that from 1932 onwards there had been widely divergent views as to how the Noblemaire principle, derived from the 1921 Noblemaire Committee report, should be applied. There had in fact been no consensus on the yardstick for measuring the adequacy of international civil service salaries, although the consistent thread of the United Nations system's pay policy had been the need to attract and retain staff of a high level of competence. The Noblemaire principle had been reverted to as an acceptable basis for pay-setting; it had however been criticized on a number of occasions for its anomalies and technical deficiencies. Those deficiencies centred around concerns for the unsatisfactory link of United Nations pay levels to those of a national civil service whose pay could be subject to internal policy considerations that had no validity for international civil service. There was nothing to prevent a redetermination of the manner in which the Noblemaire principle was applied. Several alternatives to the single civil service comparator had been suggested over the years and, in fact, pay adjustments in 1949 and 1961 had been based on other comparisons. CCAQ believed the time had come to redefine the yardsticks used in setting United Nations common system remuneration levels for the future; the inclusion of international organizations in the comparison equation was fully warranted as those organizations competed with the United Nations common system for staff. There were striking similarities in the work carried out and in the expertise being called upon by the organizations of the United Nations common system. There were, however, significant differences in the levels of remuneration paid by those organizations and those of the common system. Information on those organizations could be used in one of three ways: as direct comparators; in a "mix" with civil service comparisons; or as reference points for adjusting the level of the margin until the comparator civil service achieved competitiveness in the international market.

111. In reviewing the ICSC secretariat's progress report at the fortieth session, the Secretary of CCAQ expressed his regret that the study had not been pursued more urgently, the more so since the matter had been before the Commission for some time. He recalled that in 1989 CCAQ had proposed a study to determine whether the United States federal civil service remained the highest-paid national civil service and that the General Assembly had invited the Commission to check the matter every five years. Considering that the last check had been carried out more than 12 years earlier, he requested that the study be completed with the utmost urgency.

Views of the staff representatives

112. The representative of FICSA said that the Federation felt that cash compensation comparisons should be carried out on a net, take-home basis, i.e., gross salaries reduced by taxes and pension, social security, health insurance and unemployment contributions. The information lacking from the phase I analysis, such as the pension contributions of two of the civil services, data on other contributions deducted from United States salaries and significant non-cash compensation for any of the civil services, might have affected the final selection of civil services as comparators. More accurate results would have been obtained by identifying comparison points at the P-3 to P-5 levels, which carried the most weight in the United Nations staffing structure, particularly in view of the margin imbalance at the extreme grade levels. He suggested that a methodology be developed for rank-in-person compensation. He also noted that the compensation comparison between the base of a potential comparator and that of the current comparator was no true reflection of the compensation received by a civil servant serving at a foreign duty station, which demonstrated the flaw in setting the margin levels. In conclusion, he agreed that the study should proceed to phase II with respect to Germany, Japan, Switzerland and France, as well as the World Bank and the coordinated organizations. At the fortieth session the FICSA representative noted with disappointment the lack of progress of the study and regretted that concrete comparisons could not yet be reported.

113. The representative of CCISUA said certain judgement decisions by the secretariat in preparing the study, such as deficiencies regarding grade equivalencies with the German civil service and the non-evaluation of non-cash benefits, such as pensions and health insurance, had had the effect of underestimating the remuneration differentials between the United States and other potential comparators. She considered it essential to proceed with phase II for the three potential comparators identified in phase I (Germany, Switzerland and Japan) and stressed the need for accurate measurement of cost-of-living differences, for which post adjustment indices (PAIs) were an inadequate tool. Concerning the Japanese civil service, which followed a rank-in-person approach, CCISUA believed it could be useful to develop a methodology for comparisons with rank-in-person systems, particularly in the context of the five-year checks requested by the General Assembly. Regarding comparisons with other international organizations, she stated that perceived difficulties in establishing grade equivalencies with the European Union were not technically insurmountable as such equivalencies had been established between the Union and, for example, the German civil service. When reviewing the progress report at the fortieth session, the CCISUA representative had expressed disappointment that the study had not yet been completed and that it would not therefore be possible to submit a complete report to the General Assembly at its forthcoming session as originally envisaged. Given the biennialization of the programme of work of the Fifth Committee, that meant a two-year delay on a question that the Commission had begun considering in 1991.

Discussion by the Commission

114. The Commission noted that 3 of the 11 potential comparators under phase I had been selected for study using the Commission's methodology and that, although the French civil service could have been included in phase I, non-availability of data precluded its consideration. The three national civil services included, i.e., Switzerland, Germany and Japan, seemed to rank first, second and third, respectively. The relatively low numbers of Swiss national civil service staff might affect its use as a comparator, but that could be determined only upon completion of phase II. The use of Germany as a comparator had some implications related to the planned relocation of the capital from Bonn to Berlin and the resultant movement of staff. The Commission also noted that the planned 1994 freeze of German civil service salaries might affect future comparisons. With regard to Japan, the Commission noted the high degree of stability of the service over the last 30 years, in terms of both staffing levels and adherence to private-sector salary levels. However, the potentially serious difficulties arising from job classification arrangements made the determination of grade equivalencies particularly arduous. Moreover, the Commission expressed concern about the resource and time requirements for a phase II study of all three national civil services. If such requirements were not an issue, it would be preferable to proceed with phase II for all three national civil services.

115. With regard to the General Assembly's request to the Commission to study all aspects of the application of the Noblemaire principle with a view to ensuring the competitiveness of the common system, divergent views were expressed. As to the consideration of international organizations in the context of the application of the Noblemaire principle, the Commission noted that the original formula for applying the principle referred to a civil service, not only a national civil service. It was further noted that, as only one significant international organization had existed at that time, i.e., the League of Nations, it would have been redundant to specify a national civil service. While some members considered that direct comparisons could be made with other international civil services, such as the World Bank and OECD, others disagreed with that position. Some were of the view that, while direct comparisons should continue to be made with national civil services, it might be useful to collect data on the salaries and conditions of service offered by the World Bank. Others were of the view that in the application of the Noblemaire principle only national civil services should be considered for comparisons.

116. Accordingly some members considered it useful to proceed with a study for reference purposes with regard to the World Bank and OECD, while others preferred to proceed with the three national civil services only. Members in favour of obtaining further information on international organizations did not consider that the collection of additional data would bind the Commission to any specified course of action.

117. At its fortieth session the Commission considered the progress report by its secretariat on the initial stages of the study and noted that, as anticipated, the relatively short time between the thirty-ninth and fortieth sessions had been insufficient to complete the study. Nevertheless, it had hoped that more detailed information could have been presented at that point. It noted that, although cooperation had been received from the Governments concerned, the structures of the national civil services and the absence of a central personnel agency had further complicated the exercise, to the extent that an analysis on the basis of factual comparisons could not yet be made. The collection of data from international organizations, on the other hand, had

proved to be technically easier in view of the comparability of functions, pay structures and job classification systems.

118. Some members expressed the view that the greater ease with which a comparison could be established with the international organizations should not detract from the fact that the Commission had requested a study of the national civil services and that the information related to the international organizations was for reference purposes only.

119. With regard to the German civil service, the Commission noted the proposal to concentrate the study on the "Beamte" category only and not to take into account the "Angestellte" category, which at the professional levels was considered atypical of the German civil service. The Commission stressed in that regard that any decisions related to the study in respect of grade equivalencies and any other aspects should be taken by the Commission.

120. Some members noted that, although other national civil services were under review, it was not likely to lead to an automatic replacement of the current comparator. The comparator had been used since the beginning of the United Nations and its structure was relatively easy to compare to the common system.

Decisions of the Commission

121. The Commission decided:

(a) To proceed to a phase II study of the German and Swiss national civil services in the context of determining the highest paid civil service;

(b) To proceed to collect further information on the World Bank and OECD for reference purposes;

(c) To note the progress report on the study of the highest paid civil service concerning the German and Swiss national civil services and to request its secretariat to submit a full report on the completed study at its forty-first session.

(iv) Structure of the salary scale and the issue of imbalance in the net remuneration ratios at various grades

122. In order to respond to the Assembly's request referred to in paragraph 38 (e) above and its subsequent request at its forty-eighth session (resolution 48/224, sect. II.B), the Commission examined the structure of the salary scale for the Professional and higher categories. In addressing the structure of the salary scale, the Commission examined various related issues that had arisen over the last several years. It noted that it had examined the matter in 1989 as part of its comprehensive review of the conditions of service of the Professional and higher categories. At that time it had made specific recommendations to the Assembly concerning the structure of the salary scale. In its 1994 review of this item, the Commission examined the issue as it related to a number of restructuring proposals emanating primarily from the organizations. Since the various restructuring proposals required further study by, and consultation among the organizations, the Commission did not substantively address the CCAQ proposals. The question of imbalance in the United States/United Nations remuneration ratios at different grades of the scale was primarily addressed under the item in accordance with the mandate

given at the forty-seventh and forty-eighth sessions of the Assembly. As part of its review the Commission also examined scale structures of the comparator.

123. The imbalance in the scale was considered in the context of the much higher ratios of United Nations to United States federal civil service remuneration that existed for P-1 and P-2 grades compared to D-1 and D-2 grades. In 1993 the ratio for the P-1 grade was 186/100 while that for the D-2 grade was 116.5/100. That ratio was much more favourable for the lower grades than the higher ones and reflected a number of factors, including the statistical techniques used in deriving the ratios as part of net remuneration margin comparisons. The other factors included the improved conditions of service at the SES levels (1991 increases of 22 to 30 per cent), which had not been matched by improved conditions for equivalent grades (D-1 and D-2) in the common system. Additional factors also included the use of debatable grade equivalencies at the P-1/GS-7 level and the comparator's own salary system, which matched most posts at the equivalent of P-1 and P-2 grades with clerical and technical positions in the outside labour market. The 1994 revised margin calculations removed most of the problems due to statistical techniques and resulted in a reduction in about half of the measured imbalance so the United Nations/United States ratios were adjusted to 153.4 for P-1 grades and 113.5 for the D-2 grade. That situation was demonstrated by the following table:

Remuneration ratios at common system grades

Grades	United Nations/United States remuneration ratios reported to the General Assembly in 1993	United Nations/United States remuneration to be reported to the General Assembly for 1994
P-1	186.0	153.4
P-2	154.5	144.2
P-3	139.2	137.0
P-4	130.0	128.0
P-5	124.0	127.0
D-1	119.7	112.3
D-2	116.5	113.5

The Commission was presented with proposals for reducing the remaining imbalance in a gradual and partial manner in the context of changes in the level and structure of the salary scale.

Views of the organizations

124. With regard to the imbalance in net remuneration ratios, the Chairman of CCAQ noted that CCAQ had since 1989 repeatedly drawn attention to the problems of imbalance. It also concluded that whatever corrections were to be made would have to be introduced in conjunction with adjustments to the base scale at the time of a real increase.

125. CCAQ believed that it was necessary to correct the imbalances as soon as possible, but recognized that it might not be possible to correct all distortions immediately and that that process may take a number of years. CCAQ supported the elimination of the United States GS-7 level in the margin comparisons and the adjustments to the structural imbalances at the D-1 and D-2 levels, which appeared to have been created largely because of the increases in United States SES pay in recent years.

126. CCAQ believed that there was no impediment at the current stage to the Commission recommending in principle to the Assembly that the imbalances, which were currently a phenomenon of the United Nations/United States net remuneration ratios, could be corrected at the time of the next salary increase.

Views of the staff representatives

127. With regard to the imbalance in the net remuneration ratios at various grades, the representative of FICSA noted that the item could not be considered in isolation. Other decisions requested of the Commission had a direct bearing on the problem.

128. The decision taken by the Commission to eliminate regression analysis and square-root weighting in the calculation of the margin had already gone a long way to addressing the imbalance between the margin levels for different Professional grades. If the Commission decided to reflect the comparator's special pay systems in margin calculations more appropriately, additional adjustments might be made to the inter-grade level imbalances. Possible difficulties identified as arising from the last grade equivalency study would also improve the situation if they were acted upon. He considered that those changes would satisfy the General Assembly's request.

129. The FICSA representative recalled that the structure of a salary scale was not an end in itself; the scale derived from such general policy considerations as the desired/required hierarchical structure of the organization and its human resources management strategy. Although the size of the grade spans and the value of step increments were based on technical considerations, they could also be influenced by policy considerations. FICSA believed that most of the suggestions for changing the structure of the salary scale resulted from a poorly articulated feeling of the Assembly that something should be done to address a margin imbalance, which did not constitute a valid basis for a human resources management strategy.

130. The representative of CCISUA considered that the views expressed at the time of the 1989 comprehensive review remained valid: the main problem was not the structure of the salary scale but rather the level of salaries. With regard to the Assembly's request to review imbalances at the top and bottom of the scale, he reiterated the view that the common system should not be a clone of the comparator service. The current study of the highest paid national civil service showed that both the Swiss and German national civil services paid more than the current comparator at the bottom of the scale and less at the top. He therefore concluded that the comparator's compensation philosophy was not and need not be shared universally.

131. The representative of CCISUA indicated that any decision on increases for the Director category (a) should be based on a personnel policy approach rather than on margin imbalance considerations; and (b) should await the outcome of the study of the highest paid national civil service and the review of the application of the Noblemaire principle and then only in the context of a substantial increase of Professional remuneration. To compare the individual margins for the various professional grades was to lose sight of the fact that the margin was a single, global figure for the whole of the system arrived at through implementation of several complex statistical procedures. A change in any of those procedures could make a difference in the results obtained. In addition, the individual margins had shown the greatest fluctuations at the extremes of the scale while remaining fairly stable in the middle, where the

majority of the staff were concentrated and where a special effort had been made to establish the maximum number of matches with United States occupations.

132. An increase for the Director category in the context of the relatively minor increases that in the best of cases appeared possible at the present stage would entail a freeze in Professional remuneration because of margin constraints and therefore would be hard to explain to the large majority of the staff who over the years since 1985 had seen their remuneration levels languish and their purchasing power substantially eroded.

Discussion by the Commission

133. The Commission noted that the issue of the structure of the salary scale had to be considered in the context of structural issues as a whole: a final determination as to what, if any, action would be required could be made only after some of the other items related to the application of the Noblemaire principle had been resolved. While decisions on, for example, the comparator civil service would have an impact on issues relating to structure, the Commission fully shared the view expressed that the common system salary structure should not be a clone of the comparator's structure, as it needed to respond to certain internal and external needs, irrespective of which comparator was selected. These various needs included the existence of clearly defined work at different levels; the desired hierarchical structure; human resource planning requirements of the organizations; policy determinations on rewards for merit versus seniority, etc.

134. The problems that had been raised in the present instance appeared to be basically two: one was the imbalance, noted by the General Assembly and the organizations, in United States/United Nations remuneration ratios at the top and bottom of the Professional salary scale. That issue had been addressed, at least in part, by the Commission's decision on the methodology for margin calculation (see para. 171 (a) below). The second, noted by organizations and staff, was that of limited career prospects. The Commission noted that that could not be addressed at the present time.

135. With regard to further improvement in the imbalance of the salary scale at the top and bottom, the Commission noted that a grade equivalency exercise with the United States federal civil service was scheduled in 1995. At that time it would address the inclusion of the comparator's GS-7 grade as an equivalence to the P-1 grade. The Commission was informed by its secretariat that the inclusion of the GS-7 level since 1990 in the comparison process had accentuated the imbalance at the P-1 level. Inclusion of the GS-7 equivalency in 1994 resulted in a remuneration ratio of 153.4/100 as opposed to a ratio of 144.4/100 that would pertain in the absence of such an equivalency.

136. The Commission noted that, in the absence of a real salary increase for the Professional and higher categories, an improvement in the imbalance was difficult to address. In this context it considered proposals for a redistribution of any future real salary increase in such a manner as to reduce the imbalance in the scale further.

137. The Commission also noted that there was a linkage between any proposals made in respect of changes in salary scale structure as related to the D-1 and D-2 levels and the still outstanding proposals that the Commission had made in 1992 in respect of the assistant secretary-general/under-secretary-general and equivalent levels. The Commission considered that remuneration at the D-1/D-2 levels was not favourably aligned with the comparator's pay levels and, thus,

was due for adjustment. However, some felt that it was essential to deal with all comparison discrepancies at the top as well as the bottom of the scale.

138. It noted that the imbalance both at the top and the bottom of the scale existed vis-à-vis the current comparator. The situation vis-à-vis any new comparator could not be assessed with any degree of certainty until further data were collected in the context of the highest paid national civil service exercise.

139. The Commission noted that it would consider the item further in 1995 under its review of the application of the Noblemaire principle.

Decisions of the Commission

140. The Commission decided to report to the Assembly as follows:

(a) Pursuant to the request in General Assembly resolution 47/216, the Commission had reviewed the structure of the salary scale in the light of the observation that there was an imbalance between the remuneration ratios for different Professional grade levels;

(b) That review of the salary scale structure had been undertaken against the background of a review of the application of the Noblemaire principle that would not be completed until 1995;

(c) The salary scale structure review had indicated that the observed imbalance for different Professional grade levels arose from a combination of apparent and real factors;

(d) Some imbalance has been identified as resulting from the inappropriate use of regression analysis and square-root weighting in margin calculations. That has been corrected in 1994 as reported in paragraph 171 (a) below. Some further elements of imbalance were identified in connection with the use of GS-7 grade equivalencies and that would be addressed in the context of a grade equivalency study to be undertaken in 1995;

(e) The remaining causes of imbalance were recognized to be specific to margin calculations vis-à-vis the current comparator and might not be significant in the case of other comparators. Accordingly, the remaining imbalance could not be addressed until the ongoing study to identify the highest paid national civil service was completed;

(f) The opportunity for revising the construction of the United Nations pay scale would only arise upon the implementation of a "real" pay increase. The matter was therefore pending until a new comparator was identified or a real pay increase was to be effected.

(v) Recruitment and retention difficulties

141. In the context of the examination of the application of the Noblemaire principle, ICSC undertook a review of recruitment and retention difficulties on the basis of a study prepared by CCAQ at the Commission's request.

Views of the organizations

142. Introducing the CCAQ study, the Chairman of CCAQ said that the body of data analysed, which had been provided by 13 common-system organizations, was a significant advance on anything that had been done in that area to date. Over 1,000 vacancies and 800 voluntary departures had been analysed. An effort had been made to move away from anecdotal information and concentrate on hard facts.

143. The preliminary conclusions drawn from the study were: (a) United Nations common system overall turnover was greater than that of the United States federal civil service at comparable grades; (b) approximately one third of all departures were voluntary; (c) voluntary departures, i.e., resignations, non-acceptance of contract renewal and early retirements, occurred on average after six years' service; (d) more than three quarters of all voluntary departures were cases of resignations and non-acceptance of contract renewal; (e) voluntary departures were most critical (i) at grades P-4 and above; (ii) for nationals from the Western European and Other Group of States; and (iii) in the administrative, technical, scientific and medical areas; (f) an analysis of over 20,000 applications for 455 vacancies in 1992-1993 indicated that, although, on average, there were 44 applicants for each vacant post, only approximately 3 candidates were deemed to be well qualified for each vacancy; and (g) the supply of qualified candidates, especially for positions at levels P-4 and above, was inadequate if organizations were to meet their responsibilities regarding maintaining high standards of competence, efficiency and integrity. That held true for administrative and linguistic as well as more scientific positions.

144. With regard to turnover rates, one of the most important factors was the cost of replacement, which was particularly high in an international setting like the common system. The turnover rates noted in the document at levels P-4 and above were of particular concern, not least because of the high replacement costs at those levels. The fact that turnover was most critical for nationals of high-income countries, at a time of record unemployment in those countries, supported the proposition that United Nations salaries were unattractive.

145. Despite recession and rising unemployment, recent economic studies had documented a rising shortage of qualified, specialized and managerial personnel. It was projected that, with the increasing internationalization of the business world, the international recruitment arena - which was where the United Nations had to compete - would get much tougher. The rise of the dual-career family was also a barrier for the organizations in recruiting talented people to work abroad. The data on average numbers of qualified candidates for vacancies clearly showed that the United Nations system was failing to attract talent in sufficient numbers to ensure that the highest standards were maintained.

146. As for recruitment difficulties, CCAQ underlined that, although candidates were applying in record numbers, the proportion with even the minimum level of qualifications was very small. The inadequate supply of qualified candidates was particularly acute among experienced, mid-career specialists across a broad spectrum of occupational disciplines. Those problems could not be captured through data on numbers of offers refused, because in such cases, potential candidates most often withdrew before the formal offer stage when they learned of common system salaries. The share of appointments made high in the salary ranges was not a reliable diagnostic tool either: most organizations avoided that practice because of its demoralizing effect on serving staff.

147. In conclusion, he stressed that Member States' call to organizations to become more accountable and efficient could be met only if the organizations were staffed with personnel of the requisite qualifications and qualities. Noting that decisions on adjustment of remuneration levels had in the past been taken on the basis of much scantier information, he urged the Commission to give credence to the information now presented by the organizations, which represented their best effort.

148. The representative of the Office of the United Nations High Commissioner for Refugees (UNHCR) urged the Commission to give serious attention to the information presented. The conclusions of the study, in relation to both turnover and recruitment, were important and cause for concern. Staff should not normally be leaving the organizations in such large numbers at the P-4 level and above, after six or more years' service. As to recruitment, he stressed that the number of applicants bore no relation to the quality of candidates.

149. The representative of the International Civil Aviation Organization (ICAO) said that his organization's problems were ones of recruitment rather than retention. ICAO could not attract candidates from several industrialized countries, which were heavily underrepresented in ICAO for that very reason. Civil servants recruited from those countries often received equalization payments; moreover, they were frequently recruited at higher steps in the grade, a practice he saw as creating discrimination in pay between developed and developing countries.

150. The representative of the International Labour Office (ILO) reiterated the concerns expressed about quality of applicants and said it was debatable whether the United Nations system was still getting the best candidates.

Views of the staff representatives

151. The representative of FICSA affirmed that the Federation had never shared the view that the adequacy or inadequacy of Professional salaries should be measured solely against the degree of difficulty with which organizations of the common system recruited and retained the most qualified staff. It was not easy to place a price-tag on a committed and motivated body of international civil servants. Global unemployment assured a plethora of candidates for vacant posts but, as was the case on the outside job market, that did not necessarily make it easy to identify a candidate of the requisite calibre.

152. The study on recruitment and retention difficulties prepared by CCAQ was a brave and impressive attempt to quantify something basically unquantifiable. Exit interviews carried out did not always give the true picture; similarly it was impossible to determine how many potential candidates were discouraged from applying for a post by the inadequate level of salaries. Recruitment was further hampered by constraints such as the requirements of equitable geographic distribution, gender balance and the trend towards shorter contracts. She suggested that data on the time-span between the first posting of a vacancy announcement and the acceptance of a job often by a selected candidate would, over a period of years, reveal recruitment problems in virtually all organizations, occupational groups and geographic locations. Finally, she expressed the hope that all organizations that were not already doing so would make every effort to ascertain the real reasons for candidates turning down job offers, or for voluntary separations, in order to form a reliable database in the future.

153. The representative of CCISUA commended CCAQ for its study on recruitment and retention difficulties. He was well aware of the specific problems in the area of language staff, who were all recruited by competitive examination. In many cases, the best candidates, when apprised of United Nations salary levels, preferred to work for the European Union or the Coordinated Organizations. It had been suggested that a fast turnover of staff might be welcome, but apart from the cost of replacement, the process also took considerable time and entailed the loss of experienced staff, during which substantive work was disrupted.

154. The prejudicial effects of insufficient remuneration were not limited to recruitment and retention. Staff members who had a substantial investment in their pension might not leave before reaching pensionable age, but their morale, and hence their performance, would be affected by a feeling of being paid below their value.

Discussion by the Commission

155. The Commission noted with appreciation the information that CCAQ had presented in response to a request by the Commission itself at its previous session. The analysis represented substantial progress towards the establishment of a solid database on recruitment and turnover rates. ICSC also recognized the considerable efforts that had been made to compile the data, and stressed the importance, both with regard to the subject at hand, and for human resource planning and management in general, of establishing personnel information systems that would enable staffing data to be retrieved and analysed expeditiously. It trusted that the organizations themselves would now recognize the cost-effectiveness of such systems.

156. That having been said, the Commission was somewhat hesitant about using only statistical data on recruitment and retention as the sole indicator of the adequacy or otherwise of remuneration. Members noted the views expressed by FICSA that there were a number of other factors that came into play. In respect of recruitment they included: recruitment and prospecting methods; need to respond to policy requirements in respect of geographical distribution, gender balance, and in some cases, recruitment of young people; the increase in dual-career families, etc.

157. So far as retention of staff was concerned, turnover rates were not necessarily a sign of disaffection with salary levels; sometimes staff, in the United Nations system as elsewhere, simply wished to make a career change. In some organizations, staff were being encouraged to leave under reduction-in-force exercises. It was also noted that a degree of staff turnover was healthy: what was important to establish was whether the rates of turnover in the organizations were unduly high, and if so, why. The anecdotal data annexed to the CCAQ document provided some useful insights into the reasons for voluntary departures, but more data would be needed before meaningful conclusions could be drawn. In that respect, it was noted that, even in cases where solid databases existed, it was often difficult to capture information on the reasons for voluntary departures. Exit interviews had a certain value, but experience had shown that staff were often reluctant to divulge at that point their real reasons for leaving. It was pointed out in that connection that questionnaire surveys of random samples of departed staff had been found a useful mechanism, which the organizations might wish to investigate.

158. Regarding factors other than remuneration levels that influenced recruitment, the Commission noted that the secretariat had on its work programme

for 1995 a study of recruitment practices, policies and procedures, which would inter alia address those factors, building on the work done by the Commission in that area in the early 1980s.

159. The Commission noted that the main focus of the item under discussion was to determine whether United Nations system salaries were competitive enough to enable the organizations to meet the requirements underlying the Noblemaire principle, i.e. to recruit and retain staff of highest standards of efficiency, competence and integrity. In that connection it emphasized the importance of maintaining the highest standards of quality in recruitment; it recalled and reaffirmed the view that it had expressed in its 1982 study on career concepts, types of appointments, career development and related questions, that the quality of an organization's staff largely determined the organization's quality and that of its final product. It considered that there could be no question of compromising on standards. It would be important to monitor the situation regarding the quality of applicants, bearing in mind the concerns expressed by some organizations that they were not able to attract the best candidates.

160. In particular it was difficult to establish whether the turnover rates reported were really abnormally high for the international civil service, since no norms had been established in that regard. Over all, the Commission concluded that, while the data presented showed that there were some recruitment difficulties at some grade levels in respect of some occupations and nationalities, they did not demonstrate convincingly that the problems were widespread or acute. The inherent difficulties of drawing conclusions from recruitment data were also recognized, given that it was often an exercise in proving negatives. The Commission felt that what was useful about the data was that they provided a good baseline against which future analyses could be compared and trends established. For future exercises, further data on the reasons for voluntary departures should be provided; in that regard, case studies such as those given in the document were useful, although they needed to be supported by statistical data.

Decision by the Commission

161. The Commission decided to note with appreciation the information provided by CCAQ and to request the organizations to monitor the situation regarding recruitment and retention difficulties, with a view to presenting data on the matter on a periodic basis. Such periodic reports would enable the Commission to ascertain the significance of the organizations' difficulties in respect of recruitment and retention. It encouraged the organizations to establish structured databases for that purpose, to expand the sample and to explore ways of determining the reasons for voluntary departures of staff. They should include the surveying of random samples of staff via questionnaire. The timing and format of future reporting to the Commission should be coordinated between the ICSC and CCAQ secretariats, taking into account the views expressed during the discussion.

B. Evolution of the margin between the net remuneration of the United States federal civil service and that of the United Nations system

162. In accordance with its standing mandate from the General Assembly, the Commission continued to monitor the net remuneration margin between officials in comparable positions of the United States federal civil service and the United Nations common system. The net remuneration margin was calculated using the

regular margin calculation methodology recommended by the Commission in its annual report for 1989 6/ and endorsed by the Assembly in resolution 44/198 of 21 December 1989, together with the revised New York/Washington cost-of-living differential methodology which was reported to the Assembly in 1993. 7/ In its review of the forecast of the net remuneration margin, the Commission examined an analysis of certain aspects of margin calculations. The aspects related to the use of square-root weighting in the determination of United States salaries per occupation and the use of weighted regression analysis for smoothing salaries per grade on both the United Nations and the United States sides of the comparison.

Views of the organizations

163. The Chairman of CCAQ noted that the current margin estimate for 1994 was 113. As in previous years he noted that the margins at the D-1 and D-2 levels were non-existent. United Nations pay was significantly below that of the comparator at those levels. After adjustment for the New York/Washington cost-of-living ratio, the margin at the D-1 level was 98.1 and at the D-2 level 99.5. That imbalance in margin levels could not be ignored forever. CCAQ would seek to remedy the imbalance in the context of an adjustment to the base scale and of other structural adjustments to the scale.

164. With regard to the use of regression analysis and square-root weighting, CCAQ considered that unregressed average salary amounts should be used for margin calculations and that the weighting procedure could be based on either actual numbers or square roots, provided that the same procedure was used on both the United States and the United Nations sides.

165. The representative of ICAO drew the attention of the Commission to the average net salaries of United States federal civil servants in Washington. Those amounts indicated that the net salaries, including post adjustment, of ICAO staff in Montreal were 13.5 per cent below the net salaries of United States federal civil servants in Washington at the equivalent D-2 level, about 15 per cent less at the D-1 level, 3 per cent less at the P-5 level and 1 per cent less at the P-4 level. The net remuneration amounts were above United States levels only at the P-3 and P-2 levels for ICAO staff. That situation was, of course, caused by the imbalance in the salary structure and the net remuneration margin, as well as the fact that Montreal was assumed to have a lower level of cost-of-living than Washington. He expressed serious concern about his organization's ability to recruit from the comparator civil service. In his view it was not realistic to expect United States federal civil servants to accept jobs in ICAO at lower salaries than they were earning at home in Washington. ICAO was, however, still able to recruit from the comparator civil service because of supplementary payments paid by the United States Administration. The representative of ICAO urged the Commission to address those issues under the other agenda items concerning the structure of the salary scale and supplementary payments.

Views of the staff representatives

166. The representative of FICSA expressed concern at the rapid change in the New York/Washington cost-of-living differential and hoped that it did not indicate inherent instability in the model chosen, but represented its sensitivity to real external factors. He noted that the tax calculations were based on 1988 data and suggested that it would be desirable to obtain updated figures. Noting that the margin calculations were based on one sixth of the United Nations staff, he expressed the view that an increase in the sample size

would ensure more accurate margin measurements. The Federation maintained that all recurring elements of remuneration on both sides should be included in margin calculations. With regard to square-root weighting and regression analysis, he noted that the use of either full or square-root weights was statistically defensible and a decision as to which weights to use was a policy matter independent of short-term financial considerations. FICSA was of the view that the same weighting procedure should be used to average salaries on both sides. FICSA agreed that the use of regression was neither necessary nor desirable and was a complication in the methodology that brought neither accuracy, precision nor transparency.

167. The representative of CCISUA considered that the use of actual weights instead of square-root weights in the calculation of average United States salaries per United Nations common system grade would be technically superior. Square-root weights were preferred when there was a need to reduce dominance in the case of certain occupations. That, however, was not desirable in that particular instance, where the dominance of certain United Nations occupations over others should be duly reflected. With regard to the use of regression analysis, she emphasized that, if the United States salary amounts per grade were not regressed, the margin at the P-1 level, which had been the cause of much concern at some levels in the General Assembly, would be reduced by 20 per cent. Although that did not eliminate the imbalance in the remuneration ratios between P-1 and D-2, it went a long way towards doing so. She further noted that the use of regression analysis had been introduced in 1990 because it was a statistical technique that the comparator had adopted for its own comparisons with the private sector. Since, under FEPCA, the comparator was no longer using that statistical technique, that was an additional reason for discontinuing its use in the common system. Finally, she indicated that the elimination of the use of square-root weights and regression analysis would contribute substantially to simplifying and rendering more transparent highly complex calculations that few could understand. She stressed that simplification and transparency had been among the main goals of the comprehensive review.

Discussion by the Commission

168. The Commission noted that the impact of using regressed or unregressed salaries was practically negligible in terms of the overall margin. However, the use of regression introduced a complication and resulted in distorting the salary ratios at individual grades. In that regard it was noted that, while the United Nations/United States ratios based on regressed salaries were approximately 178 and 116 to 100 at the P-1 and D-2 levels respectively, the corresponding ratios based on unregressed (actual) salaries were approximately 153 and 113 to 100, respectively.

169. Bearing in mind that the General Assembly had expressed concern at the differences in the net remuneration ratios at various grades, the Commission was of the view that the use of unregressed salaries would address, at least in part, the concerns of the Assembly in that regard. Now that, under FEPCA legislation, the comparator was no longer using regression analysis, there was an additional reason for discontinuing its use in the common system.

170. The Commission recalled that it had decided to use square-root weights in margin calculations in order to reduce the dominance of any occupational group or groups. That had been a particular concern of some technical agencies with unique occupational groups, which had considered that their occupational groups would not be adequately represented in the comparison. The Commission noted

that those agencies no longer considered the issue to be of concern, particularly in view of the rather minimal impact of square-root weighting on overall margin results. The Commission also considered that there should be consistency in the way the weighted average salary amounts per occupation were obtained for the United Nations and the comparator sides. The Commission noted that the use of actual numbers of incumbents in various occupations on both sides would reduce the margin by 0.8 points. The difference in the future could be either positive or negative depending on the specifics of the occupational salary data at the time.

Decisions of the Commission

171. The Commission decided to report to the General Assembly that:

(a) Bearing in mind that the General Assembly had expressed concern at the differences in United Nations/United States net remuneration ratios at the P-1 to D-2 levels and that under FEPCA legislation the comparator was no longer using regression analysis, it had decided to refine the margin calculations so as to eliminate the use of regression analysis and square-root weighting;

(b) Based on the use of the current methodology and the refinement of the calculation to eliminate the use of regression analysis and square-root weighting, the net remuneration margin stood at 113.0 for 1994, as shown in annex II to the present report. As a result the average margin for the period 1990-1994 was 116.1.

C. Base/floor salary scale

172. The concept of a base/floor salary scale was introduced with effect from 1 July 1990 by the General Assembly in section I.H of its resolution 44/198 of 21 December 1989, when it provided for "the establishment of a floor net salary level for staff in the Professional and higher categories by reference to the corresponding base net salary levels of officials in comparable positions serving at the base city of the comparator civil service". The base/floor system was designed not only to provide a minimum level of remuneration for the United Nations system staff but also to serve as the reference point for calculating certain separation payments and the mobility and hardship allowance. The scale was subsequently revised with effect from 1 March 1991, 1992, 1993 and 1994.

173. The Commission was informed that, in view of the further movement of United States federal civil service salaries of 4.23 per cent in 1994 (at Washington), an adjustment of the common system's scale of 4.1 per cent would be necessary in 1995 in order to keep the base/floor salary scale in line with the comparator's scale.

Views of the organizations

174. The Chairman of CCAQ noted that, in conformity with the position that was strongly held by ACC, CCAQ fully supported the proposal for an adjustment of 4.1 per cent in the base/floor scale with effect from 1 March 1995, reflecting increases in the comparator's levels effective 1 January 1994. CCAQ attached importance to the maintenance of the regular annual updating of the base/floor salary scale and hence to the current proposal. CCAQ also supported the consequential revision of staff assessment rates, if that proved necessary.

Views of the staff representatives

175. The representative of FICSA noted the suggested increase in the base/floor scale of 4.1 per cent, which was totally based on the 4.23 per cent locality-pay adjustment as the ECI increase of 2.2 per cent had not been authorized by the United States Congress. He noted that the data that should have been used for the ECI adjustment covered the period from October 1991 to September 1992, while the locality-pay adjustment had been based on 1993 data. Thus, by the time an increase was implemented for the common system staff, delays of between 22 and 29 months would have occurred. The Federation believed that the salaries of common system staff should be adjusted more promptly to reflect the salary situation of the comparator better.

176. The representative of CCISUA fully supported the proposed adjustment of 4.1 per cent effective 1 March 1995. It was essential that the base/floor salary scale should be adjusted annually as originally envisaged. It was equally important to maintain the value of the mobility and hardship allowance in real terms. Since there was a 14-month lag in the reflection of United States salary increases in the common system's base/floor salary scale, the United Nations base/floor scale would again lag behind United States salaries by January 1995.

Discussion by the Commission

177. The Commission recalled that it had reviewed the base/floor salary scale levels annually since 1990 and made recommendations to the General Assembly, following which the Assembly had revised the level of the base/floor salary effective 1 March of each year from 1991 to 1994. The changes recommended and approved were as follows:

Year effective	Percentage recommended by ICSC	Percentage approved by General Assembly	Comparator percentage of prior year
1991	8.5	5.0	3.6
1992	8.6	6.0	4.1
1993	6.9	6.9	4.2
1994	3.6	3.6	3.7

178. The Commission noted that the increase of 4.1 per cent recommended for 1995 would mirror the increase granted to the United States federal civil service for 1994. The related impact on the mobility and hardship allowance and separation payments was considered to reflect the normal effect of the decisions at the time of the comprehensive review of remuneration for the Professional and higher categories. At that time a linkage had been established between the level of the mobility and hardship allowance and base/floor salary scale, using the adjustment mechanism followed by the comparator.

179. The Commission recalled that the General Assembly's request that the Commission review and, if necessary, recommend revised rates of staff assessment consequential upon changes in the base/floor salary scale. In that context, the Commission invited the Assembly to note that the substantial staff assessment change recommended in 1993 had followed an extended period in which no

adjustments had been made despite a number of changes in the base/floor scale. As those staff assessment changes had taken effect only on 1 March 1994, it was too early to assess their impact. Given the relatively small adjustment in the base/floor scale recommended for 1995, any consequential changes in the staff assessment scale would also be relatively minor. Accordingly, no recommendation for revised staff assessment rates was being made at the present time. The Commission would, however, continue to monitor the situation, in conjunction with the United Nations, and make such recommendations in that regard in the future as the evolving situation of the Tax Equalization Fund merited.

180. With regard to financial implications, if the base/floor was adjusted on 1 March 1995 by 4.1 per cent through the usual method of consolidating multiplier points on a no-loss/no-gain basis, the impact for the common system in 1995 was estimated as follows:

	Adjustment of 4.1 per cent on 1 March 1995
	(Thousands of dollars)
Countries that would fall below the level of the new base/floor	340
Mobility and hardship allowance	2 080
Separation payments	427
Total financial implications for a 10-month period in 1995	2 847

Decision of the Commission

181. The Commission decided to recommend to the General Assembly that the current base/floor salary scale should be increased by 4.1 per cent through consolidation of an equivalent element of post adjustment, with effect from 1 March 1995. The resulting base/floor salary scale and associated staff assessment scale, for use in conjunction with gross base salaries for staff without primary dependants, are shown in annex III to the present report.

D. Review of the dependency allowances

182. In its annual report to the General Assembly for 1992, 8/ the Commission concluded that the existing methodology for the determination of dependency allowances for the Professional and higher categories should be maintained, i.e., the allowances should be computed on the basis of tax abatements and social security payments in the countries of the seven headquarters duty stations. The Assembly took note of the Commission's intention to review the level of dependency allowances every two years so as to ensure that all relevant changes in the tax and social legislation for the countries concerned were taken into consideration.

183. For the 1994 review, the Commission had before it the details of the percentage change required in the children's allowance and secondary dependant's allowance based on changes in tax abatement and social legislation for the seven

headquarters countries between 1991 and 1993. It was also provided with information on the application of dependency allowance increases to hard-currency and other duty stations. On the basis of an analysis of experience over the five years of operation of the present system, adjustments to the present system of establishing local-currency allowances were proposed for the Commission's consideration. As an alternative to continuation of the present local-currency entitlement system, proposals were made for a floor system that would ensure that the United States dollar equivalent of local-currency allowances would not fall below the value of the allowances payable in the United States dollar area. Two options for children's allowances were proposed, together with parallel arrangements for the treatment of secondary dependant's allowances.

Views of the organizations

184. The Chairman of CCAQ concurred with the proposal to increase the children's allowance to reflect the 10.26 per cent increase in the value of tax abatement and payments under the social legislation applicable at the seven headquarters duty stations. The organizations also concurred with the option of increasing the secondary dependant's allowance to a level equal to 50 per cent of the respective children's allowance as this was in consonance with the system originally adopted for the determination of the secondary dependant's allowance and was also simple to administer. He noted that, out of a total of 18,569 staff members in the Professional and higher categories, just 652 or 3.5 per cent were in receipt of the secondary dependant's allowance. CCAQ shared the secretariat's concern for the management of these allowances in local currencies. He suggested that in future the United States dollar figure should be used rather than the CFA amount for the 14 countries in which the CFA franc had been used to date.

185. CCAQ also agreed with the recommendation that, for the two-year period between reviews, the local currency amount in hard-currency duty stations should not be less than the United States dollar equivalent. The equivalent levels should, however, be established on the basis of the exchange rates in effect at the time when the proposal was made to the General Assembly, i.e. November or December 1994.

Views of the staff representatives

186. The President of FICSA observed that the amount of time spent on discussing dependency allowances in different forums was disproportionate to the financial implications for the common system as well as to the impact of such allowances on the staff. That was particularly true of the secondary dependant's allowance, which in no way compensated for the additional costs incurred as a result of expatriation. Far more important was the issue of the definition of dependency, the rationale for the dependency allowances and their adequacy. FICSA hoped to raise those issues at a future session.

187. The proposed revision to the children's and secondary dependant's allowances had the support of FICSA. The Federation similarly endorsed the setting of a floor of $1,400 equivalent in local currency, as well as CCAQ's proposal for the use of the dollar amount in CFA currency countries. As far as the secondary dependant's allowance was concerned, only staff members without a dependent spouse were eligible to claim a secondary dependant's allowance. It was traditional in developing countries to support one's parents, and many staff members had brought their parents to live with them at the duty station. Even in cases where the dependent family member replaced a spouse in the staff

member's household, that staff member did not receive remuneration at the dependency rate, nor did the family member have any entitlements in the event of the death of the staff member.

188. FICSA advocated that in the case of staff members with a dependent spouse, the secondary dependant's allowance should be equal to that of the children's allowance. For those without a dependent spouse, the same benefits and entitlements, with the same limitations, should apply to a family member living with the staff member. As an interim measure, and until such time as the broader issue was reviewed, FICSA would accept an increase of the secondary dependant's allowance to half that of the children's allowance.

189. The representative of CCISUA indicated agreement with the proposal for increasing the children's allowance by 10.26 per cent and the secondary dependant's allowance to 50 per cent thereof. As regards currency arrangements, he supported the provision for a floor value of these allowances in United States dollar terms.

Discussion by the Commission

190. The Commission noted that the 1994 review had been undertaken using the methodology that had been established for biennial reviews. A number of members indicated support for the views presented by FICSA concerning the need to examine the basic rationale for, and scope of, dependency allowances, bearing in mind the variety of cultural practices with regard to dependency arrangements in different parts of the world. The 10.26 per cent increase in the value of tax abatements and social security provisions recorded at the seven headquarters duty stations provided the basis for an increase of the same amount in the children's allowance. As regards the secondary dependant's allowance, members noted that proposals had been made in 1989 for an increase in that allowance to 50 per cent of the children's allowance. However, that had not been approved either then by the General Assembly or later by the Commission when it reconsidered the matter in 1992. There had, nevertheless, been an increase of 50 per cent in the secondary dependant's allowance at that time. Accordingly, it was agreed that it would be appropriate to recommend an increase of 10.26 per cent with effect from January 1995 in the secondary dependant's allowance. As regards the issue of local currency entitlements, consideration was given to amending the system to provide a floor to protect those duty stations where currencies which had earlier been hard had subsequently softened. It was agreed that the existing mechanism should be left unchanged but that the list of hard currencies involved should be updated by the secretariat.

Decision of the Commission

191. The Commission decided:

(a) To recommend to the General Assembly that the current level of children's allowances (including those for disabled children) and of secondary dependant's allowances should be increased, effective 1 January 1995, to reflect the 10.26 per cent increase in the value of tax abatement and payments under social legislation at the seven headquarters duty stations that had occurred between 1991 and the current review;

(b) The present local-currency entitlement system for hard-currency duty stations should be maintained on the basis of an updated list of hard-currency duty stations for which local-currency entitlements were specified (see annex IV).

192. The financial implications of the Commission's recommendations above in respect of the level of children's and secondary dependant's allowances were estimated at US$ 1.8 million per year, system-wide.

Chapter V

REMUNERATION OF THE GENERAL SERVICE AND OTHER LOCALLY RECRUITED CATEGORIES

A. Review of the methodologies for surveys of best prevailing conditions of employment at headquarters and non-headquarters duty stations

193. The revised general methodology for surveys of best prevailing conditions at headquarters duty stations had been approved by the Commission at its summer session in 1992, while a related methodology for non-headquarters duty stations had been approved by the Commission at its spring session in 1993. On the basis of the revised headquarters methodology, surveys were undertaken in 1993 in Paris and Montreal. Surveys at the remaining five headquarters duty stations will follow in 1994, 1995 and 1996.

194. At its summer 1994 session, the Commission considered a proposal by FICSA to review the methodologies for both headquarters and non-headquarters duty stations and to consider a series of innovations for inclusion in a revised methodology. The Commission also considered a proposal by CCISUA in respect of the headquarters methodology.

Views of the organizations

195. Drawing a distinction between the headquarters and non-headquarters surveys, the Chairman of CCAQ noted that, for non-headquarters surveys, training had been organized for administration and staff representatives and that a manual of practice as well as other training materials were available for those involved in surveys. For headquarters surveys a draft manual had only recently been made available and few training courses had taken place. He considered that the Commission's review of the methodology should be limited to areas that would have no direct impact on surveys already implemented. There were technical grounds for modifying the methodology with regard to specific features applicable to certain duty stations, such as the inclusion of extra steps in the calculation of the scales for Geneva and the language factor in Vienna and Rome.

196. Recalling the discussions of tripartite Working Groups and of the Commission itself on that subject, CCAQ noted those cases where CCAQ had made statements in respect of the questions raised by FICSA. For the headquarters methodology, CCAQ reaffirmed its concerns regarding the revised methodology in respect of the role of the ICSC secretariat, the selection of employers, the quantification of fringe benefits, the application of the language factor in Rome and Vienna and the withholding of interim adjustments six months prior to the reference date of the survey. With regard to the non-headquarters methodology, he noted that certain matters raised by FICSA concerned the application of the methodology and should therefore be dealt with through the local salary survey process. As to the quantification of benefits, CCAQ maintained its recommendation that the quantification of airline tickets and separation benefits should be suppressed in view of the distortions that could result.

197. The representative of the United Nations, in supporting the position of CCAQ, said that it was essential to retain the confidence of all parties in the salary survey methodology and to ensure that its application was clearly understood. A balance had to be struck between consistency of approach in the

application of a general methodology and the flexibility needed to address local conditions. The methodology was not a static instrument: like labour markets, it evolved over time. He noted that there were significant differences in the application of the salary survey methodology as between headquarters and non-headquarters duty stations, the latter being characterized by a participatory approach, including a manual and a comprehensive training programme. It was important that there be open participation in all aspects of the headquarters methodology as well: a dialogue should be established at each location, so that there was agreement on what the special characteristics and problems of the duty station were and how they were to be dealt with under the methodology.

198. In a subsequent intervention during the discussion by the Commission, he said that it was not necessary to reopen the methodology per se; the Commission should take careful note of the concerns about the survey process expressed by the various parties. It could also note the particular issues and concerns unique to duty stations that would be raised at the time of the surveys in the current round so that, as the methodology prescribed, due account would be taken of local conditions both in the labour market and in the organizations themselves. He cited such issues as abrupt devaluation in the United Kingdom of Great Britain and Northern Ireland, or the large number of General Service staff on peace-keeping missions. It was important not to open general issues as that would place staff in Paris and Montreal at a disadvantage. The United Nations sought an open process where all parties could bring their expertise to bear.

199. The representative of the United Nations Educational, Scientific and Cultural Organization (UNESCO) noted that FICSA, on the one hand, contested both the technical and the legal soundness of the revised methodology and on the other proposed that surveys already conducted under an allegedly defective methodology should be declared invalid and that the salary scales for the General Service in Paris and Montreal should revert to their former levels. He informed the Commission that legal proceedings were pending before the Administrative Tribunal of ILO in which several UNESCO staff were challenging the legal validity of the revised methodology. He further informed the Commission that the General Conference of UNESCO had, for its part, concluded at its twenty-seventh session (October/November 1993) that the Paris General Service salary survey had been effected "not only on a technically sound basis but also in conformity with the correct application of the Flemming principle". He recalled that the UNESCO administration had implemented decisions and recommendations of the Commission on the presumption that such decisions and recommendations were lawful. He hoped that the Commission would not take any decisions that could prejudge the issues to be adjudicated upon by the Tribunal or that could adversely affect the defence of the UNESCO administration. With regard to the revised methodology, he stated that, while it might benefit from improvements, it should remain unchanged until the current cycle of headquarters surveys had been completed. That position of principle was justified by the demands of equity and fair play for General Service staff in Paris and Montreal where the revised methodology had already been applied.

200. The representative of the Food and Agriculture Organization of the United Nations (FAO), on behalf of FAO and the United Nations Industrial Development Organization (UNIDO), noted that a number of the concerns presented by the staff were shared by the administration of his organization. These included the postponement of the interim adjustment, which had implications for staff-management relations and which created administrative difficulties. On behalf of FAO and UNIDO, he advocated the maintenance of the language factor and a more flexible approach to the quantification of benefits.

Views of the staff representatives

201. The President of FICSA reaffirmed the view expressed by earlier speakers that there was more at stake than simply the impact of the new methodology on General Service salaries: the future of FICSA's relationship with the Commission; the integrity, independence and objectivity of the Commission; the relationship between the organizations and the Commission; the morale and motivation of the staff and their confidence in the remuneration system. She reminded the Commission that she had assured the FICSA membership of a new receptiveness on the part of the Commission to the concerns of the staff. While it was the prerogative of the Commission to review General Service salary survey methodologies, FICSA remained convinced that the current methodology required fine-tuning without delay. A postponement of a review until the end of the cycle would further exacerbate the problem. As far as the contention that a review mid-stream would be inequitable to staff in Montreal and Paris, she stressed that staff at both those duty stations were in support of the FICSA position. In the case of Paris, an appeal to the ILO Tribunal had had no impact on current discussions, while in Montreal action could still be taken to rectify the situation. The Commission should not be prevented from admitting mistakes for fear of losing face. Where staff members at a particular duty station had confidence in the soundness of a methodology, they would not systematically challenge the results of a survey. Such was the case of the 1987 Vienna survey, which had resulted in a salary freeze. Finally, she recalled the words used by the Chairman of the Commission in his introductory statement - responsiveness and flexibility, collaboration and mutual respect - and affirmed that consideration of the agenda item would be the acid test of those words.

202. The representative of CCISUA noted that the surveys already conducted in Paris and Montreal clearly indicated the need for modifications in the methodology and for flexibility in its application. CCISUA, in presenting a series of specific issues and proposals to the Commission, wished to contribute to the elaboration of a methodology that would allow surveys to be carried out in an objective manner and that would provide for an accurate measurement of conditions of service at each duty station. He recalled that the language factor for Rome and Vienna took into account and quantified the additional qualifications required from international civil servants. The Commission's decision to eliminate that factor did not recognize reality, as the staff at those locations were at least bilingual. The fact that organizations now found it easier to recruit staff with the required language skills at the local level did not justify the suspension of comparisons with the local market. He expressed the wish that the Commission analyse CCISUA's proposals in-depth and that solutions acceptable to all parties would be found.

Discussion by the Commission

203. The Commission recalled that the revised methodology had been debated extensively in working groups, composed of representatives of the Commission, administrations and staff, and discussed within the Commission before it was promulgated in 1992. While it recognized the concerns expressed by staff and administrations, both at the time of the thirty-seventh session and at the current session, it was conscious of the fact that so far surveys on the basis of the methodology had been conducted at only two of the seven headquarters duty stations. It recalled that, under the previous methodology, a number of issues had arisen during the course of the third survey round and the Commission had decided at that time to postpone consideration of those questions until the cycle had been completed. Members noted that both FICSA and CCISUA had produced papers that raised a wide range of technical and other issues. Under the

circumstances, most members believed that the Commission would need additional technical guidance. Such guidance and consideration would require more time than was available at the current session. Accordingly, members agreed to reconsider the item at the next session.

204. The Commission was informed by its Chairman that he had received representations from the staff representatives of UNESCO requesting the Commission to re-examine the technical justification for the revised methodology and its impact on UNESCO staff, in particular the quantification of fringe benefits and seniority in grade. In that context, further representations had been received from the staff representatives of FAO, UNIDO, the World Health Organization (WHO), IAEA and the International Telecommunication Union (ITU) on the issue of the Rome survey in particular and the methodology in general. The Commission took note of the argument that no changes were required in the principle underlying the methodology and in its overall framework, but that the application of the methodology to the particular situation at each duty station should be addressed. As regards the need to reflect the particular situation at each headquarters duty station, the Commission laid especial emphasis on the statement in the methodology that "the methodology attempts to strike a balance between consistency of approach in the application of a general methodology to all headquarters duty stations and the flexibility needed to address local conditions in each headquarters duty station". It was observed that each survey report reviewed by the Commission routinely included a series of issues on which flexibility was to be exercised in deference to the local conditions prevailing at the respective duty station.

205. The Commission recalled that, on the basis of that provision, it had applied such flexibility to address unique characteristics in the case of both Paris and Montreal and it intended to continue to do so in the surveys at the remaining five duty stations. Whereas the Commission considered it important to evaluate the issues raised, it felt that more experience in applying the methodology to other duty stations was required before a review should take place. Furthermore, the Commission considered that any changes to the methodology while the survey round was not yet completed could result in unfair treatment of staff in Montreal and Paris. In that regard the Commission noted that the results of the surveys thus far conducted had been driven by the economic conditions at those duty stations.

206. The Commission noted the view of CCAQ that a consideration of the application of the methodology could be undertaken currently without affecting the outcome of the surveys already carried out. Such an exercise might ensure that future surveys were conducted on a tripartite basis, a process to which the organizations expressed their commitment. CCAQ had emphasized that the current methodology not only raised a number of technical concerns, but also had political and legal implications and affected staff-management relations. However, the Commission considered that a review of the methodology should encompass the experience at all duty stations so as to ensure that the methodology could be considered in a consistent manner. Such a review would require a thorough and detailed study by the Commission's secretariat based on the issues raised by FICSA and CCISUA as well as other observations made during the current survey round. Nevertheless, consideration could be given to a preliminary discussion of the various issues raised.

207. With regard to the specific problems identified by FICSA and CCISUA, the Commission noted that the substance of the questions had already been exhaustively and extensively addressed in the comprehensive review (1992). The question of adjustment for language in Rome and Vienna, where the local language

was not a working language of the organizations, had been raised in a number of interventions by the representatives of both staff and administration. The Commission noted, however, that the methodology already provided for transitional measures if the exclusion of the previously granted adjustment led to a freeze of salaries. Although requests had been made to suspend the current round of surveys pending review of the methodology, the Commission did not agree that a case had been made which would merit such action. However, such situations as required remedy would be addressed on a duty-station-by-duty station basis in the context of exercising the flexibility already structured into the methodology, as noted in paragraph 11 above.

Decisions of the Commission

208. The Commission decided:

(a) To instruct its secretariat to prepare comments on the issues raised by FICSA and CCISUA on the headquarters and non-headquarters methodologies and to present them, as well as other relevant issues, to the Commission at its forty-first session, when it would continue its preliminary study of the survey methodologies;

(b) That a comprehensive review of the application of the methodology should be undertaken upon completion of the current round of surveys at headquarters duty stations;

(c) To reaffirm its position with regard to the need to consider the unique characteristics of each of the headquarters duty stations as evidenced in the survey methodology, which states that:

> "the methodology attempts to strike a balance between consistency of approach in the application of a general methodology to all headquarters duty stations and the flexibility needed to address local conditions in each headquarters duty station".

B. Survey of best prevailing conditions of service at Montreal

209. As part of its responsibilities under article 12.1 of its statute, the Commission in October 1993 conducted a survey of best prevailing conditions of service for the General Service and related categories at Montreal. As a result of the survey, the Commission recommended a salary scale that was 7.8 per cent lower than the existing scale and an increase in the amounts of dependency allowances. As the recommended scale was lower than the existing scale, interim adjustments attributable to inflation would not be granted until the recommended scale as adjusted for inflation overtook the existing scale. As a result of maintaining the current scale, combined savings of approximately US$ 590,000 per annum would be realized by organizations with General Service staff in Montreal. Increases in the levels of dependency allowances would represent an increase in costs of approximately US$ 11,800 per annum. Those estimates were calculated at the exchange rate of $Can 1.32 = US$ 1.00 in effect on 1 October 1993.

210. The salary scale that the Commission recommended to the Secretary-General of ICAO is shown in annex V to the present report.

C. National Professional Officers

211. For the consideration of the item, the Commission had before it the report of a Working Group comprising members of the Commission and representatives of organizations and staff which it had established at its thirty-eighth session, with a mandate to study all aspects of the employment of National Professional Officers (NPOs). The report of the Group, which had met in November 1993, analysed various facets of NPO deployment (number of staff, changing organizational mandates and needs, grading patterns, recruitment policies and procedures, career considerations and other matters). It also addressed questions of principle regarding the methodology for determining the conditions of service of NPOs as well as a number of specific issues deriving therefrom (including relativities with the remuneration of other staff categories and benefit quantification).

212. In the light of the changing needs and objectives of the common system, the Working Group had agreed on an updated set of criteria for NPO usage, which might be considered for recommendation by the Commission to the General Assembly. It was also recommending procedures for notification of, and reporting on, NPO usage, including periodic reviews by the Commission. With regard to the principles to be used for setting terms and conditions of service, the Working Group recommended that the Commission reaffirm its earlier conclusions regarding the application of (a) the Master Standard for the classification of NPO posts and (b) the Flemming principle for the determination of conditions of service of NPOs. In respect of salary survey application, the Group recommended that the Commission apply to NPO surveys the relevant decisions approved at the thirty-seventh session in respect of the general methodology for surveys of the best prevailing conditions of service at non-headquarters duty stations. In addition, the Group recommended that the Commission request organizations to develop a set of standard benchmark job descriptions for global use in NPO salary surveys, so as to permit a more accurate comparison in the job matching process. The Working Group also recommended that the salary differentials between NPO and General Service scales should be consistent with those observed in the construction of General Service scales. It further recommended that the methodology for the quantification of benefits for NPOs be reviewed, since those benefits represented a substantial part of income at a number of duty stations.

213. Additional or updated information that the Working Group had requested, including a comparison between NPO salary levels and those of equivalent grade levels of the United States Embassy at selected duty stations, was provided by the ICSC secretariat in a separate document.

Views of the organizations

214. The Chairman of CCAQ considered the working group process to have been most beneficial in furthering the discussion of the item. As the Commission was aware, not all the organizations employed that category of staff; those that did, however, subscribed to the Working Group's recommendations. The revised criteria for the employment of NPOs represented an appropriate framework for use at the current time and for the near future. Greater consistency in the grading of posts and in recruitment standards was important and would continue to be pursued. The reaffirmation of the application of the Master Standard for classifying posts and of the Flemming principle for determining conditions of service were fundamental conclusions that the organizations wholeheartedly supported. As to the application of the salary survey methodology, the organizations concerned wished to confirm that they strictly applied the

methodology for surveys in non-headquarters duty stations. They intended to develop benchmark job descriptions for use in salary surveys, as recommended by the Working Group. The organizations continued to quantify benefits in salary surveys in accordance with the methodology approved by the Commission. They were, moreover, prepared to keep the matter under review, through consultations between the ICSC secretariat and the organizations. Since, however, those consultations had not yet taken place, it would be inappropriate to make any changes in the benefit quantification at present. The recommendation concerning salary scale construction was an important point which the New York Steering Committee would take into account.

215. The main user organizations wished to emphasize that the conditions originally established by the Commission for the employment of NPOs had been framed so as to recognize the different operational needs of the organizations. CCAQ also noted that the use of NPOs was becoming more widespread. Recently, FAO had announced that it was introducing the category. WHO was reviewing the appropriateness of introducing the category.

216. The representative of the United Nations appreciated the consultative spirit that had characterized the Working Group's work and broadly endorsed its conclusions and recommendations, including the proposed revised criteria. Speaking in his capacity as Chairman of the New York Steering Committee, which approved non-headquarters salary surveys, he said the Working Group's recommendations regarding the application of salary survey methodology were broadly acceptable; there were, however, open questions regarding the manner of benefit quantification, on which the envisaged consultations with the ICSC secretariat had yet to take place, as well as the data subsequently presented by the secretariat on United Nations/United States Embassy salary comparisons. The United Nations Development Programme (UNDP) had prepared updated information that more accurately reflected the situation at a number of duty stations, which the Commission might wish to examine. The organizations awaited the consultations that had been foreseen with the ICSC secretariat.

217. The representative of UNDP recalled that NPOs had never been intended for across-the-board common system use: their employment was governed by operational need arising from mandates approved by organizations' legislative bodies. Some organizations continued to have no need for the NPO category; for others, like UNDP, utilization of the NPO category was intrinsic to the policy of enhancing national capacity and government execution. The expansion of the NPO category in UNDP reflected a conscious bid to reinforce that policy; that was a natural trend which was occurring elsewhere. In that connection, he recalled that other employers, such as the World Bank, non-governmental organizations (NGOs) and regional development banks as well as private multinational companies and other employers also employed national Professional staff. For an organization with a policy of rotating its international Professional staff, such as UNDP, NPOs provided an important element of continuity in field offices. It was in the interest of UNDP to have a properly qualified cadre of national staff and it therefore applied rigorous selection and recruitment criteria to NPOs. It intended to maintain a proper mix between national and international staff. Before concluding, he noted that the data presented in the secretariat's supplementary document on United Nations/United States Embassy salary comparisons were incomplete; UNDP had developed more up-to-date figures. Further consultations should be held on that aspect.

218. The representative of the United Nations Children's Fund (UNICEF) said that, as the largest user of NPOs, UNICEF had had almost entirely positive experience with the use of the category. Indeed, NPOs had been pivotal to

UNICEF's operational success in recent years, as many of its activities relied on a grass-roots participatory approach. UNICEF considered that the proposed revised criteria were in line with current realities: the bulk of NPO recruitment was from NGOs, universities and the private sector, not from national civil services. When the NPO category was first established, a number of the best qualified General Service staff had been promoted to NPO. In recent times, however, an increasing number of NPOs were recruited externally. Some NPOs had become international Professionals, but their numbers were limited: some, in larger offices had been promoted within the NPO category. NPOs in UNICEF were considered an integral part of the Professional workforce. The same rigorous recruitment and classification standards were applied to NPOs as to international Professionals. In response to a query raised, he informed the Commission that 38.7 per cent of UNICEF NPOs were women.

219. The representative of FAO announced FAO's intention to use NPOs. It intended to move cautiously in that regard and would strive to follow the criteria agreed upon by the Working Group and draw on the experience of the major employing organizations in that area.

Views of the staff representatives

220. The President of FICSA stated that the Federation's concerns with regard to the NPO category were threefold: (a) caution that a significant increase could represent an abuse by organizations, which would be employing Professional staff with General Service salaries; (b) concerns for the career development of that category, which was more limited than in other categories; and (c) a desire to improve conditions of service of NPOs. FICSA proposed that all organizations making use of NPOs or similar categories adopt a common grading structure, even if not all grades were used by all organizations at all duty stations. Furthermore, FICSA recalled that, since NPOs were Professional staff, the quantification of outside benefits should include all those offered to Professional staff in the private sector. FICSA, moreover, underlined the need for adequate security arrangements for locally recruited staff, including NPOs.

221. The representative of CCISUA said that it was apparent that the use of NPOs was increasing in the common system and was especially prevalent in two organizations. CCISUA fully concurred with the conclusions reached by the Working Group on the use of the Flemming principle and the Master Standard for that group of staff. There was no separate methodology for determining the remuneration of NPOs. The ICSC secretariat, in consultation with representatives of staff and administrations, should develop certain aspects of the remuneration methodology so as to take into account the differences between NPOs and other locally recruited staff. Commenting on the use of the United States Embassy for comparison purposes, CCISUA noted that comparisons should be made with more than one employer. For those countries where the comparison had been established, an indication should be given of where the United States Embassy stood with regard to other local employers used in salary surveys. CCISUA concurred with the Working Group's conclusion that the quantification methodology required further study by the secretariat in consultation with organizations and staff. CCISUA maintained that fringe benefits should be quantified on the basis of their market value rather than of the cost to the employer. CCISUA furthermore considered it important to take into account the aspirations of NPO staff in terms of both security of employment and personal security, given that many of them worked in very difficult conditions.

Discussion by the Commission

222. The Commission recalled that it had first addressed the issue in depth at its twelfth session, in 1980. It had endorsed a series of conditions for the employment of NPOs 9/ presented by CCAQ, which appears in annex VI to the present report.

223. In approving the use of NPOs, the Commission had noted that that arrangement was in many ways responsive to the needs of Member States, particularly developing countries. Besides fulfilling certain needs of the organizations, the arrangement had the advantage of associating recipient countries more intimately in the national development process. At the same time, the Commission had wished to monitor carefully the use of NPOs and had requested CCAQ to provide annual reports on NPO utilization. 10/

224. In 1981, the Commission had examined a report by CCAQ on the use of NPOs and had expanded the reporting requirements. It had subsequently reverted to the matter of NPOs in 1982, 1983 and 1986; on the latter occasion, it had recognized the evolution of that group of staff as necessary but reiterated the limited conditions for its use that had been established in 1980. In 1987, it had approved the salary survey methodology for NPOs (essentially a variant of the General Service methodology for non-headquarters duty stations) and had decided that the Master Standard for the classification of Professional posts was the appropriate vehicle for classifying NPO posts. While reaffirming its recognition of the need for NPOs under specified conditions, it had expressed concern about the increasing number of staff in the category.

225. The NPO issue had next arisen in 1992 when it had become necessary to review the salary survey methodology for the category as a result of the review of the General Service salary survey methodology for non-headquarters duty stations. Noting at that time that the use of the category had continued to expand, the Commission had flagged the matter for in-depth review, and in 1993 had established a Working Group to examine all aspects of NPO employment.

226. In considering the report of the Working Group, the Commission expressed at the outset its appreciation for the thorough and balanced approach the Group had taken to a subject which went to the heart of the Commission's mandate. It was clear from the report that the needs for NPOs had evolved since the category was first established, and employing organizations' use of these staff had evolved accordingly. That was evident from the overall increase in the numbers of NPOs employed (from less than 300 in 1980 to over 1,600 at end 1993) and from the growing number of organizations using the category. In that connection, the Commission noted that in 1980 the use of the category had been confined to the United Nations, UNDP and UNICEF. In 1986, UNHCR had introduced the NPO category, and subsequently UNESCO and UNIDO had introduced limited numbers of NPOs. As noted above, FAO and WHO had NPO use under consideration. The Commission also noted that, whereas in the early years following the establishment of the category a considerable number of NPO staff had been promoted from the General Service category, recruitment criteria for that group of staff were now applied more stringently. There had furthermore been a substantive shift in the way in which NPOs were deployed. Whereas the 1980 criteria had taken as given that the functions of NPOs would be handed over to national institutions, and thus should be time-limited, a significant proportion of NPOs in the major employing organizations now held permanent appointments and performed duties of an ongoing nature, including managerial functions. Indeed, organizations that had a policy of rotating their international staff saw NPOs

as an important source of continuity in their field offices. That had in turn increased pressure over the years to enhance career prospects for NPOs.

227. The views of members differed as to whether the developments cited above were desirable in the broader context of the role of the international civil service. Some noted that the upsurge in the use of NPOs was proof of the validity of the category. The use of NPOs should be further encouraged as being consistent with the changing focus of development assistance, both within and outside the United Nations system, towards a more participatory grass-roots approach. Although the category might have grown haphazardly, it had now come of age and should not be ignored or marginalized. Seen in that context, the career prospects of NPOs should be further enhanced. Others considered that the widespread use of NPOs might jeopardize the impartiality of the international civil service; even the perception that that were so might inhibit donor contributions. Furthermore, the widespread use of NPOs was prejudicial to the recruitment and career development of young international Professional staff. NPOs should not become a parallel career service; the duration of their employment should be limited, and their number possibly restricted. Others, while not necessarily advocating the active expansion of NPOs, did not see the current situation as threatening: the key consideration was that the use of NPOs be fully consistent with organizations' operational requirements as established by the legislative body. According to yet another view, it would be only realistic to recognize that NPOs were an integral part of the international civil service and to treat them accordingly, rather than as an appendage.

228. At another level, some members were of the view that the matter of the use of NPOs could not satisfactorily be resolved in isolation from an integrated overview of how the international civil service was responding to changing internal and external imperatives. That should include the respective roles of various staff groups, both international and local, including newly emerging arrangements (e.g., for mission assignments).

229. The diversity of views notwithstanding, the Commission was unanimous in recognizing the valuable contribution made by NPOs to the work of the organizations.

230. The Commission recognized that the central issue before it was the proposed revised criteria for the use of NPOs. While they were acknowledged as an attempt to put order into the situation, some viewed them as a piecemeal solution, a reflection of the current situation that did not address the real issues. In that connection, a view was expressed that the Commission was revisiting a dilemma that had existed at the time of the introduction of NPOs and that their more widespread use had merely brought more sharply into focus. Broad issues of equity of treatment were involved, including the issue of why that category of staff should not be used at headquarters duty stations.

231. Others considered the proposed revised criteria to be a considerable improvement over the currently applicable conditions, which did not reflect the real situation regarding the deployment of NPOs.

232. Following the above exchange of views, the Commission concluded that, despite the diversity of views expressed, and the hesitancy of some members, there was merit in placing the current use of the NPO category on a sounder footing. To judge from the information presented by the organizations, NPOs were an operational necessity and indeed an asset. There could be no question of doing away with NPOs, and even if the Commission were to seek to constrain their use, organizations would resort to other contractual arrangements to

accommodate their needs, leading to further fragmentation of common system arrangements. At the same time, the Commission wished its secretariat to explore the possibility of providing in the work programme for consideration of the broader issues raised in the debate.

233. The main new elements in the revised criteria proposed by the Working Group to the Commission were: (a) a stronger emphasis on the need for NPO use to have a solid policy and operational justification; (b) recognition of a reduced emphasis on the limited duration of NPO employment; (c) introduction of a provision that an appropriate balance should be maintained between international and local Professionals; and (d) a qualified reference to career considerations. Otherwise, the essential features of the 1980 criteria had been retained, and in some cases amplified.

234. In examining the revised criteria proposed by the Working Group, the Commission saw as crucial the requirement that the employment of NPOs by a given common system organization be firmly grounded in a policy framework established by the organization's legislative body. It wished to receive information from prospective employing organizations in that regard.

235. The Commission confirmed that NPOs should be nationals of the country in which they were to serve, be recruited locally and not be subject to assignment outside the home country. Exceptional circumstances where an NPO might be temporarily seconded outside the home country should not detract from that basic principle. It further confirmed the need for a national content in NPO work and in that connection reiterated that NPOs should be employed to perform functions that utilized their national knowledge and experience, and not merely as a convenient substitute for international Professionals. Those functions should be specified in the job description. With regard to the need for high standards of recruitment, qualifications and performance, the Commission noted the assurances of the major employing organizations that they were applying increasingly rigorous recruitment requirements. On the question of the need to maintain a balance between international and local Professionals, ICSC agreed to endorse the Working Group's recommendations, subject to the reservations expressed by some members regarding the growth of the NPO category, as noted above.

236. The Commission agreed to reaffirm its earlier decisions in respect of classification standards and salary-setting principles for the category, namely that the Master Standard for the classification of Professional posts should be used to classify NPO posts, and that the conditions of service of NPOs should be established in accordance with the principle of best prevailing conditions of service (the Flemming principle). That principle should be reflected through comparisons with nationals at the locality carrying out similar functions at the same level, through the application of the salary survey methodology for non-headquarters duty stations as revised by the Commission in 1993. In that connection, the view was expressed the application of the Flemming principle and the methodology deriving therefrom should result in conditions of service for NPOs that were reasonable and which maintained appropriate relativities with other categories of staff.

237. The proposed revised criteria stated that the career prospects of NPOs were necessarily limited given, inter alia, that the functions they performed might be finite. In that regard, one member wished to place on record his view that NPO functions should be finite in nature. Others considered the wording in the proposed criteria concerning the need to "develop the potential" of NPOs to be too vague.

238. With the above commentaries, the Commission agreed to endorse the revised criteria for the employment of National Professional Officers as proposed by the Working Group, and to recommend them for consideration and adoption by the General Assembly. The revised criteria appear in annex VI to the present report.

239. The Commission wished at the same time to monitor carefully the further use of the NPO category. It endorsed the Working Group's recommendations that CCAQ should provide annual reports on NPO usage, noting that that could now be done routinely via the CCAQ personnel database. Data on grading patterns and recruitment standards, in which the Working Group had recommended that consistent standards be applied, could be captured via the periodic monitoring of ICSC decisions and recommendations.

240. The Commission also considered the recommendations made in respect of the determination of the conditions of service of NPOs. In that regard it noted the comparison of NPO salary levels at a number of duty stations with those of equivalent levels of the United States Embassy levels, the comparator most frequently surveyed at those non-headquarters duty stations. Following a revision of the initial calculations, the Commission noted the conclusion of its secretariat that a sample of NPO salary levels (see annex VII) were, on average, 33.9 per cent higher than those of the United States Embassy.

241. The Commission also considered recommendations of the Group with regard to the relation between NPO salary levels and those of both the international Professional and the General Service categories. It noted that at a very few duty stations NPO remuneration exceeded the remuneration of equivalent international Professionals serving at the duty station. In general, however, the relationship between the pay levels of the two categories had not posed any insuperable problems. In comparing the differentials between the NPO and the General Service salary scales, the Commission noted that at most duty stations the NPO scale began at a level 10 to 30 per cent above the maximum of the General Service scales. In some instances, however, the differentials exceeded 30, 40 or 50 per cent, which was a cause for concern. The Commission considered it desirable that the differentials between NPO and General Service salary scales not be excessive; they should, to the extent possible, be consistent with the pattern of inter-grade differentials of the General Service scales.

242. The Commission also noted that the quantification of benefits generally assumed greater importance for NPOs than for the General Service category in many duty stations, as evidenced by a higher non-pensionable component. It noted that the organizations and staff had not been consulted on the observations made by its secretariat on that issue. The Commission considered that the method of quantifying benefits for NPOs merited review at a future session. Consideration was also given to the question of reliable job matching in surveys and it was agreed that a set of standard benchmark job descriptions should be developed for global use in NPO salary surveys.

243. With regard to the application of the survey methodology for NPOs, the Commission recalled that it had approved, at its thirty-seventh session, a methodology for determining the conditions of service of staff in the General Service and related categories at non-headquarters duty stations. The Commission considered that a number of the revisions made at that time would be equally applicable to the NPO category.

Decisions by the Commission

244. The Commission decided:

(a) To note the continued expansion of the NPO category, in terms of the overall increase in the number of NPOs employed and the growing number of organizations using the NPO category, as well as the range and type of functions in which NPOs were employed;

(b) To recommend to the General Assembly for consideration and adoption the revised criteria for the employment of NPOs which appear in annex VI to the present report;

(c) To request CCAQ to provide annual reports on the deployment of NPOs;

(d) To review the use of the NPO category on a regular periodic basis;

(e) To request organizations planning to introduce NPOs to so inform the Commission, including an explanation of the policy imperatives for their doing so;

(f) To reaffirm, at the current stage, the application of (i) the Master Standard for the classification of NPO posts; and (ii) the Flemming principle for the determination of conditions of service of NPOs;

(g) To apply to NPO surveys the relevant decisions approved at the thirty-seventh session in respect of the general methodology for surveys of the best prevailing conditions of service at non-headquarters duty stations;

(h) To request the organizations to develop a set of standard benchmark job descriptions for global use in salary surveys for NPOs and to present them to the ICSC secretariat for review prior to their approval by the Chairman on behalf of the Commission;

(i) To request its secretariat, in consultation with the organizations involved, to review the methodology for quantification of benefits applied to NPOs and to propose specific revisions, as necessary;

(j) To request the organizations, in the construction of NPO salary scales, to maintain salary differentials between the NPO and General Service scales consistent with the differentials observed in the General Service scales. In that regard due attention should be paid to the level of international Professional salaries;

(k) To request its secretariat to consider how best to include in the Commission's work programme the examination of the broader considerations cited in the Commission's discussion of the issue, as noted above.

Chapter VI

CONDITIONS OF SERVICE APPLICABLE TO BOTH CATEGORIES

A. Review of the level of the education grant

245. The Commission had before it a recommendation from CCAQ for an increase in the education grant maxima in respect of expenditures incurred in seven specific currencies (deutsche mark, Spanish peseta, Swedish kroner, Swiss franc, Italian lira, pound sterling and United States dollar in the United States). Using the differentiated approach followed under the revised methodology adopted in 1992, no increases would be applicable in the other 10 currency areas. The CCAQ study, undertaken in the biennial review cycle, took into account both the movement of school fees (1991/92-1993/94) and a detailed analysis of costs incurred by staff and organizations for the academic year 1992-1993.

246. The analysis identified seven currency areas in which 5 per cent or more cases showed costs incurred exceeding maximum admissible expenses. That triggered a review of what level of increases in maximum admissible expenses might be justified in the light of changes in fees and the numbers of claims that would be above the maximum admissible expenses. The review recalled that the education grant was a reimbursement of actual expenses incurred by expatriate staff members for the education of their children. Reimbursement was made on the basis of receipts and other documents and was limited to 75 per cent of the maximum admissible expenses. It was that latter element that determined education grant levels and thus was the focus of the current review.

Views of the organizations

247. The representative of CCAQ observed that it was the second occasion CCAQ had used the current methodology in preparing recommendations for education grant levels. The methodology was technically sound, well balanced and responsive. It was based on two features: the actual expenditures incurred by staff members and the movement of school fees at the secondary level. It required analysis of the expenditures actually incurred in the most recent year for which data were available (1992-1993). Admissible expenditures had been reviewed to determine whether they were within the current maximum admissible expenses levels. In accordance with the methodology, CCAQ had then identified those currencies in which more than 5 per cent of claims exceeded the maximum admissible expenses. Following the methodology, CCAQ had also reviewed the amount by which school fees had increased since the last review. CCAQ had then examined, on a pragmatic basis, the amount of increase warranted on the basis both of the expenditure data and the movement of fees.

248. The computer database used to analyse the claims, developed in 1992, had been improved and had enabled much more extensive analyses to support the current recommendations. In all, 9,000 claims had been analysed in depth, which represented 67 per cent of the total and therefore constituted more than a valid sample. The examination showed just seven currencies in which a review was triggered as the current maximum admissible expenses had been exceeded in 5 per cent or more of the cases.

249. The representative recalled that, at its thirty-fifth session, the Commission had suggested that the analysis should take account of the fact that the so-called United States dollar area comprised two components: expenditures made in United States dollars in the United States and those made in over 100

other currencies which were converted into United States dollars for the purposes of administering the education grant. The analysis of expenditures in those two types of dollars had quite different results. Of United States dollar expenditures in the United States itself, 417 claims or 24 per cent were above the current maximum admissible expenses. Those converted into United States dollars from other currencies had only 2.9 per cent in excess of the maximum admissible expenses level. Expenditures in United States dollars outside the United States did not show any major differences in expenditure patterns in individual countries represented. CCAQ had concluded, therefore, that it was appropriate to consider United States dollar expenses in the United States itself separately from those incurred elsewhere. The United States dollar proposals that follow, therefore, related to dollar expenditures incurred only in the United States. As regards the dollar area outside the United States, CCAQ recommended that, in view of the substantial devaluation of the CFA franc, claims in those currencies should in future be considered as part of the dollar area outside the United States.

250. In accordance with the methodology, CCAQ had examined the movement of secondary school tuition fees over the two-year period since the last review. It would have been helpful to include additional elements in the analysis but data in respect of capital assessment fees, registration fees and the like were not consistent, either from year to year or from country to country. For the 1996 review, however, CCAQ would examine ways and means of increasing information in respect of those additional expenses. In almost all cases fees continued to increase world wide generally in excess of inflation. CCAQ had reviewed fee increases in those countries for which a review of the level of the grant was warranted on the basis of an analysis of claims. Fee movements had then been used as taken into account in determining what would be an appropriate recommendation in terms of increasing the maximum admissible expenses levels in the seven currencies concerned. The key aspect of the review was that it should be pragmatic, reflecting both the expenditure data - the claims analysis - and the movement of fees at the secondary level.

251. From the claims data, CCAQ was able to see how far the claims themselves were above the current maximum admissible expenses levels. In the majority of currencies (namely the Swiss franc, the deutsche mark, the Spanish peseta and the Italian lira), the majority of claims above the maximum admissible expenses were in the bracket up to 10 per cent above the current maximum. In the three other currencies, the Swedish kroner, the pound sterling and the United States dollar in the United States, the majority of claims over the maximum admissible expenses went far beyond the 10 per cent level; most were considerably more than 15 per cent above the current level. CCAQ had taken those factors carefully into account in determining revised levels.

252. First, CCAQ had rounded the percentage movement of fees in the seven currency areas and examined what would happen if current maximum admissible expenditure levels were increased by those percentages. Whilst that was appropriate in a number of currencies, such an adjustment would still leave in both the pound sterling and United States dollar currency with a significant number of claims only partially met. CCAQ had therefore examined how the gap between the number of claims left above a new maximum admissible expenses level, and the increase that might be afforded, might be closed. CCAQ had concluded that it would be necessary to increase the fee movement levels by a further 15 per cent in the case of both the pound sterling and the United States dollar in the United States if any inroads were to be made into the gap. Even with the proposed increases of 25 per cent over all in the pound sterling and 30 per cent over all in the United States dollar, it was anticipated that some 16.4 per cent

of claims in the pound sterling and 16 per cent in the United States dollar would also be above the new maximum admissible expenses level. Similarly, the adjustment of 25 per cent for the Swedish kroner would still leave 11.4 per cent of claims above the new maximum admissible expenses level.

253. There were a number of reasons for the gap. They related partly to the levels set for the education grant in 1990 when the grant basis had been changed from a global one to that of individual currency areas. However, it was also difficult to present recommendations for very high increases even when they may be fully warranted technically. The pragmatic determination of the proposals therefore had to take into account an element of "what the traffic will bear".

254. The CCAQ proposals were therefore intended to help to close, but not eliminate, the gap.

Views of the staff representatives

255. The representative of FICSA supported the increases of the maximum admissible expenses levels for the education grant for the seven currencies identified, which were consistent with the methodology. Despite those increases, FICSA expected that during the next two years there would still be a considerable number of claims that exceeded the new proposed maximum admissible expenses levels. FICSA stressed that staff did not report actual expenses in full because they knew that they would not be reimbursed for them. Much remained to be done to improve the analysis of data and to reflect actual expenses accurately.

256. The analysis solely based on the fee data did not reflect capital assessment fees, registration fees, the costs of lunches in day schools and transportation costs. Those expenses were extremely high in many duty stations. Some, such as capital fees or building levies, were not even reimbursable. That was not fair compared to the situation of staff employed in embassies, including the foreign service missions of the comparator civil service and with expatriate staff employed in the private sector. Personnel from the comparator civil service received a 100 per cent education grant for primary and secondary education abroad. In Bangkok the capital assessment fee for one particular school exceeded $10,000 per child enrolled. For families with three school-age children, a down payment of more than $30,000 was involved, which was not reimbursable under the current regulations. Apart from the capital assessment fees, which affected only some duty stations, FICSA also queried the exclusion of registration fees and the costs of meals or transportation from the cost elements reported by CCAQ to ICSC. Most of those expenses, in almost all duty stations, were compulsory.

257. Access of international civil servants to adequate education facilities for their children was of prime importance. It ensured more stability of the staff member's family during expatriation assignments. To the extent possible the educational advancement of the children should not be jeopardized by the expatriate assignments of the parents serving the United Nations throughout the world. That was even more crucial with most United Nations organizations stressing the need for increased staff mobility. The secondment of staff from various organizations to United Nations peace-keeping operations was the most visible example in that regard. FICSA was not opposed to more mobility of staff, but mobility should not be imposed on the staff against the stability of the family. A well-functioning education grant system was one of the factors that assured such stability.

258. FICSA congratulated the CCAQ secretariat on the presentation of its proposals. He trusted that the Commission would have no hesitation in approving the recommendations.

259. The representative of CCISUA observed that the common system staff attached special importance to the education grant, which assumed particular significance in countries with traditionally high private education costs and deficient or unsafe public education systems. It was the main benefit relating to expatriation.

260. The 75 per cent reimbursement cap applied under the education grant system, which aimed at discouraging excessively expensive school choices, often placed a heavy burden on the staff member, particularly where public education was not a viable option. In some instances the education grant covered less than half of the actual costs. Secondary school costs could be equivalent to as much as a third of a P-4, step VI, annual salary. On the other hand, the comparator, like most other national civil services, paid its expatriate staff the full cost of primary and secondary education through its education allowance. The amounts paid by the comparator to expatriate staff at duty stations where common system staff were also posted were substantially higher than the amounts paid by the common system and could exceed US$ 34,000 per year per child for children in schools outside the duty station.

261. CCISUA reiterated its full support for the differentiated approach endorsed by the revised methodology adopted in 1992. Increases were granted only where and when they were needed. Under the previous system, they were granted across the board on the basis of an average of school cost increases everywhere in the world. Therefore, the differentiated approach under the revised methodology introduced a second element of cost control in addition to the 75 per cent cap. It was, however, a more equitable approach among duty stations.

262. The current deficit with regard to the percentage of cases not covered by the maximum allowable expenditures level had been created under the previous methodology, whereby increases were granted on the basis of a world-wide average increase in school costs. Education costs in United States and United Kingdom schools had traditionally been high at all education levels. In addition, education cost increases had for years far outstripped inflation rates. The averaging methodology in use up to 1992 had accentuated that effect. Although CCISUA understood the difficulty of fully correcting the deficit regarding the education grant for the United Kingdom and the United States, it believed that the gap should be gradually bridged so as to arrive at similar percentages of education costs above the maximum admissible expenses at all duty stations.

263. Cost-data coverage had improved and would hopefully continue to do so along with the level of data analysis. There was room for improvement in the collection of data on other allowable expenditures. The methodology required that data be collected not only on tuition fees but on other allowable expenditures (e.g., transportation costs, cost of lunches and registration fees). That approach should be followed at the time of the next review for all schools in all countries, at least with regard to schools in countries where a review of the level was proposed. As per the revised methodology, only secondary school fees data should be collected on the pattern followed for New York and Geneva and a number of other countries. Fee data corresponding to each secondary school year should be averaged to arrive at a single amount.

264. It was also important to remember that the cost data used to determine the trigger for an increase related to the year prior to the review year. Thus for

the current review of the level of the education grant, 1992-1993 cost data had been used, the proposed increase was for implementation in 1995, i.e., a time-lag of two years. In many cases that put a much heavier burden on the staff member than it would appear at first sight from the data analysis.

265. CCISUA believed that the revised methodology guaranteed a level of consistency, transparency, reliability and rigour that should enable the Commission and the Assembly to focus on the need gradually to correct the imbalance concerning the percentage of cases not covered by the maximum admissible expenditure level for schools in certain countries. It focused on correcting, to some extent, the past imbalances resulting from the implementation of the previous averaging procedures.

Discussion by the Commission

266. The Commission noted that CCAQ had identified seven currency areas where the percentage of education grant claims exceeded maximum admissible expenses levels by more than 5 per cent. Members observed that the analysis that identified those areas and led to a set of recommended increases was supported by a clear and detailed report by CCAQ. General appreciation was expressed for the quality of the CCAQ proposal and for the work that had gone into its formulation and presentation. A much improved database had been established by the organizations pursuant to the adoption of the revised methodology in 1992: that was a much-needed improvement.

267. It was recalled that, until 1990, adjustments had been made on a global basis whereby inflation rates at major duty stations were averaged and then applied to local currency entitlement levels. The problems of unequal provision and adequacy of the grant across duty stations had been extensively analysed by the Commission in 1990 and 1992, as a result of which the current differentiated methodology had been adopted. The new methodology had been applied for the first time in 1992 but without the full benefit of a detailed database to support the arrangements. Only now, with the new database and methodology, was it possible to tackle the problems that had been identified in 1990.

268. On the question of determining the level of increases for the seven currency areas qualifying for an adjustment, it was recognized that the methodology called for a pragmatic approach that would take into account both fee and cost data. While fee data gave a general indication of increases that might be justified, it was apparent from the CCAQ analysis that applying that criterion alone would perpetuate the problems of unequal provision originally identified in 1990. Attention was drawn to the following data, which showed the current percentage of claims above maximum admissible expenses levels in 1992-1993 and the projected levels for 1994-1995 at current and proposed levels of maximum admissible expenses.

Table 1

Currency areas	Percentage of education grant claims exceeding maximum admissible expenses: 1992-1993 actual and 1994-1995 estimated claims vis-à-vis current and proposed maximum admissible expenses						
	Swiss franc	Deutsche mark	Peseta	Pound sterling	Italian lira	Swedish kroner	United States dollar (United States of America)
Percentage of 1992-1993 claims over current maximum admissible expenses	7	6	11	24	8	11	24
Percentage of 1994-1995 estimated claims over current maximum admissible expenses	16.1	6	7.1	35.6	17.1	33.3	35.6
Percentage of 1994-1995 estimated claims over proposed maximum admissible expenses	7.8	6	7.1	16.4	7.1	11.4	16.0

It was apparent from the above that increases exceeding recent fee increases would be required for the pound sterling and United States dollar areas if past problems were to be tackled. Accordingly, the following increases were recommended for the seven currencies concerned.

Table 2

Currency	(a) Current maximum admissible level	(b) Maximum education grant [75% of (a)]	(c) Proposed maximum admissible level	(d) Proposed maximum education grant [75% of (c)]
Swiss franc	18 270	13 703	20 097	15 070
Italian lira	18 000 000	13 500 000	19 800 000	14 850 000
Deutsche mark	26 395	19 800	29 035	21 775
Peseta	1 429 740	1 072 500	1 572 710	1 179 530
Pound sterling	9 000	6 750	11 250	8 438
Swedish kroner	66 600	49 960	83 250	62 438
United States dollar in the United States of America	13 000	9 750	16 900	12 675

Table 3

Admissible maximum expenses increase %	Fees increase 1993/94 over 1991/92 %	Currency
10	11.3	Swiss franc
10	13.9	Italian lira
10	14.2	Deutsche mark
10	27.9	Peseta
25 (10 + 15)	10.8	Pound sterling
25	14.7	Swedish kroner
30 (15 + 15)	14.3	United States dollar in the United States of America

269. Members noted that in four cases the grant would increase less than fees had increased as it would still be possible to contain to a minimum the number of cases of claims above maximum admissible expenses. In three cases, the United States dollar in the United States, the pound sterling and the Swedish kroner, increases would need to exceed fee increases as there were high percentages of claims above maximum admissible expenses levels. Larger increases for the United States dollar and pound sterling would be justified by the need to ensure equitable treatment for those currently disadvantaged areas. However, a full adjustment that would equalize treatment across all currency areas did not appear feasible at the present time. Accordingly, it was agreed that, while increases were justified, they could not be expected to solve fully all existing problems.

270. A number of questions were raised about the nature and extent of the comparator's education grant programme. It was explained that, while it was superior in some respects, giving 100 per cent reimbursement (as opposed to 75 per cent for common system), it was more limited in others as it did not include fees for tertiary-level education. Interest was also expressed in a number of related problems of costs charged in addition to tuition fees. It was noted that in some locations building levies and capital assessment fees were compulsory charges that were not covered by the education grant. It was noted in that connection, that a full review of the grant was scheduled in 1997. In 1996 the level of the additional reimbursement of boarding costs over and above the normal maximum grant at designated duty stations would also be reviewed in conjunction with the review of the mobility and hardship allowance scheduled for 1996.

Financial implications

271. The Commission noted that the system-wide cost implications of the proposed increases were estimated at approximately $1.8 million per annum for the system in respect of the increase in the maximum admissible expenses level and $350,000 per annum in respect of the increase in boarding costs.

272. The Commission at its thirty-sixth session (summer 1992) had indicated that it would be desirable in the future to have an indication of the total cost to the common system of education grant entitlements and had requested CCAQ to make that information available at the time of the next review. CCAQ estimated that the total system-wide cost of the education grant entitlement was $62.1 million per annum. The average reimbursement per claim was $4,400. That represented approximately 3.8 per cent of the budgeted standard costs for Professional staff members in the common system.

Decision by the Commission

273. The Commission decided to recommend to the General Assembly that:

(a) In areas where education related expenses are incurred in Swiss francs, Italian lire, deutsche mark, Spanish pesetas, United States dollars (limited to expenses incurred in the United States), pounds sterling and Swedish kroner, the maximum grant and the ceiling for boarding costs should be set as shown below:

Table 4

Currency	Maximum admissible level	Maximum education grant	Ceiling for boarding in local currency
Swiss franc	20 097	15 070	4 466
Italian lira	19 800 000	14 850 000	4 400 000
Deutsche mark	29 035	21 775	6 454
Spanish peseta	1 572 710	1 179 530	349 556
Pound sterling	11 250	8 438	2 500
Swedish kroner	83 250	62 438	18 500
United States dollar in the United States of America	16 900	12 675	3 770

(b) The current level for the maximum admissible expenses and ceiling on boarding costs in United States dollars (for expenditures incurred outside the United States) should be applied for the 14 countries in which the CFA franc had until now been applied;

(c) The maximum admissible expenses and the ceiling on boarding costs should remain unchanged at current levels for the following currency areas: Austrian schilling, Belgian franc, Danish krone, Finnish markka, French franc, Irish pound, Japanese yen, Netherlands guilder, Norwegian krone and United States dollar (expenditures incurred outside the United States);

(d) The amount of the special education grant for each disabled child should be equal to 100 per cent of the amounts of maximum allowable expenses for the regular education grant;

(e) Those measures would be applicable as from the school year in progress on 1 January 1995.

B. Hazard pay

274. In 1984, the Commission agreed that exceptional measures (hazard pay) would be introduced for staff obliged to serve at duty stations where very hazardous conditions, such as war or active hostilities, prevailed and where the evacuation of families and non-essential staff had taken place. Authority for the approval of hazard pay was delegated by the Commission to the ICSC Chairman. 11/ In 1991, the Commission reaffirmed the principle of hazard pay as well as the criteria approved in 1984 and approved a range of between 10 and 30 per cent of the net base salary of a P-4, step VI, to determine the amount of hazard pay; local staff would be paid a concomitant percentage of basic remuneration.

275. At its fortieth session, ICSC had before it updated information on the operation of hazard pay prepared by the secretariat. The secretariat proposed consolidation and reaffirmation of existing arrangements, with some minor changes to reflect current practices: (a) while the evacuation of staff would normally serve as a precondition for hazard pay, there might be exceptional circumstances where it did not occur; and (b) hazard pay would be approved for up to three months at a time as experience had shown month-to-month renewals to be logistically impracticable. The secretariat also proposed a monitoring system to report staff numbers in an efficient manner and update them every six months.

Views of the organizations

276. CCAQ welcomed the secretariat's useful report on the status of hazard pay. It concurred with the proposed amendments to the current arrangements. CCAQ expressed its appreciation to the Commission and its Chairman for their responsiveness to the needs of staff serving in particularly hazardous and difficult conditions.

277. The United Nations Security Coordinator was pleased to learn of the Commission's concern about the security of staff at a time when United Nations staff were increasingly becoming targets for attack. In the past, the United Nations umbrella had worked to protect staff; that was no longer always the case. The issue of the treatment of local staff serving under hazardous conditions had recently been discussed at the inter-agency level. While international staff were evacuated in the event of hazardous conditions, no agreement on measures other than those set forth in the United Nations Security Manual had been agreed; however, every effort continued to be made to relocate local staff to safe havens.

278. The representative of the United Nations noted that, at the operational level, there was close liaison between the Office of the United Nations Security Coordinator and the ICSC secretariat. He indicated the appreciation of his Organization for the manner in which the Chairman of the Commission had responded rapidly to a number of emergency situations. Requests for hazard pay were reviewed expeditiously. The United Nations fully supported the proposals put forward in the document before the Commission, which reflected improvements in the operation of hazard pay. Hazard pay had to be distinguished from the hardship scheme, which reflected the general conditions of service at hardship duty stations. By contrast, hazard pay acknowledged service in areas of civil strife or open conflict where the direct threat to life was constant. The two schemes were separate and should continue to be dealt with separately.

279. He noted that it was important that the service of all United Nations common system staff serving under the same conditions in the same location should be acknowledged in the same way. There was no basis for differentiating between different levels of hazard, although there was room to increase the absolute amounts that were paid to both internationally and locally recruited staff in such high-risk areas. Although evacuations continued to be the trigger for requests for hazard pay in most situations, he cited the example of the Kenya-Somalia border operations as a case which fell, at the present time, outside the criteria established by the Commission. It was important that such cases be covered by hazard pay. He indicated that the three-month cycle for renewal of hazard pay had proved effective and noted the criteria under which hazard pay ceased to be paid in particular situations. Just as it was important to have in place in the Security Manual procedures to deal with the onset of hazardous situations, it was equally important, as conditions improved, that conditions of service were brought back to normal under the operation of the salary system and related mechanisms.

280. He supported the proposal made during the discussion to increase the amount of hazard pay to the level of 20 per cent of the salary at the mid-point of the scale for internationally recruited staff (i.e., P-4, step VI, which would result in an approximate amount of $900) and 20 per cent of the mid-point of the salary scale for locally recruited staff, it being understood that transitional measures would be needed in the latter case.

281. The representative of UNDP welcomed the operational improvements that had taken place over the past three years with respect to the more rapid response to requests for hazard pay. He was of the view, however, that hazard pay in itself was not sufficient. Other methods to improve security and reduce stress and trauma were being, and must continue to be, addressed. UNDP attached great importance to the protection of national staff and urged all parties to give utmost attention to that sensitive issue.

Views of the staff representatives

282. The representative of FICSA reported that to date the current system had worked relatively well. FICSA considered that measuring hazardous situations was not an easy task but determining monetary compensation for staff in hazard-prone areas was even more difficult. FICSA wished to put on record its concern for field staff, particularly national staff. The list of extremely hazardous duty stations was growing day by day and nationally recruited staff appeared to be more at risk than other categories of staff.

283. FICSA endorsed the criteria as adopted at the Commission's thirty-third session in 1991, while agreeing that they should be restated to reflect the present situation. FICSA also noted the proposed monitoring mechanism, which would be based on close collaboration between the ICSC secretariat and the United Nations Security Coordinator. Another monitoring mechanism was the tripartite working group on the classification of duty stations according to life and work, which was, in FICSA's opinion, one of the few objective and unbiased United Nations system tripartite working groups. FICSA hoped that the points raised above, particularly those related to locally recruited staff, could be taken up in that group.

284. The representative of CCISUA concurred with others that the operation of the hazard pay scheme had worked well to date. CCISUA supported the proposed amendments to the criteria.

Discussion by the Commission

285. The Commission considered that hazard pay was an important means of providing some compensation to staff who served under extremely dangerous security conditions in a number of places in the world. Members were, however, aware of the difficulties in quantifying risk and expressed the view that no amount of financial compensation could replace a staff member's life lost in the service of the United Nations. Equally, if not more important, were the provisions of the war-risk insurance scheme and other security-related arrangements, which covered many more countries than those where hazard pay was in place. Several members of the Commission raised the issue of the evacuation of local staff. The Commission understood that the issue would be considered in the coming months by ACC as a result of discussions held at the recent ad hoc inter-agency security meeting. The Commission noted that all cases of hazard pay were the subject of ongoing monitoring on the basis of security reports from the United Nations Security Coordinator.

286. The Commission agreed on the need to restate the criteria so that henceforth clear guidelines would be readily available in one place. It concurred with the secretariat's proposal that certain operational elements needed to be brought into line with actual practice, which appeared to have been working well.

287. With regard to the amounts of hazard pay, the Commission recalled the provisions of its 1991 decision (see para. 274 above). Current arrangements for international staff, $600 per month, represented 13.8 per cent of the base/floor salary scale, while amounts for local staff varied because they were set at 15 per cent of the staff member's salary. The Commission questioned the equity of that arrangement. The Commission reaffirmed its earlier view that it was difficult to assign a degree to risk and noted that the range of 10 to 30 per cent had not been used to differentiate the degree of hazard. There was a general agreement that hazard pay should amount to 20 per cent of the mid-point of the applicable salary scale for both international and locally recruited staff.

Decisions of the Commission

288. The Commission reaffirmed its earlier decision regarding exceptional measures (hazard pay) to compensate staff obliged to serve at duty stations where very hazardous conditions such as war or active hostilities prevailed and where the evacuation of families and non-essential staff had taken place; it further reaffirmed that authority for the approval of these measures should continue to be delegated to the Chairman. It decided to restate the arrangements for the granting of hazard pay as follows:

(a) Form of hazard pay. Additional monthly compensation for staff required to work under hazardous conditions;

(b) Where applicable. In duty stations where very hazardous conditions, such as war or active hostilities prevailed; although the normal precondition would be the evacuation of families and non-essential staff, there might be exceptional circumstances (i.e. newly established duty stations in conflict areas) where evacuation did not arise as a precondition;

(c) Eligibility.

(i) Internationally recruited staff required by their organizations to serve at the duty station in question;

(ii) Locally recruited staff who were required to report to work and who did so;

(d) Duration. Applicable for up to three months at a time, subject to ongoing review in the light of prevailing conditions;

(e) Amounts.

(i) For internationally recruited staff: 20 per cent of the net base/floor salary of a P-4, step VI (dependency rate);

(ii) For locally recruited staff: 20 per cent of the mid-point of the applicable local salary scale; in cases where staff might receive less under the new arrangements, transitional measures would consist of a continuing payment at the existing rate until there ceased to be a difference between the old and new amounts.

289. The arrangements set out in paragraph 288 (e) above would go into effect at the time the Chairman approved hazard pay in a new location or next renewed it in existing locations.

290. The financial implications of the decision in paragraph 288 (e) above were estimated at $2.5 million for 1995.

291. The Commission further decided that, in its reports on the implications of base/floor salary adjustments, it would include those amounts for hazard pay for internationally recruited staff, which were based on the base/floor salary.

Chapter VII

ACTION TAKEN BY THE COMMISSION UNDER ARTICLE 14 OF ITS STATUTE

A. Performance management: appraisal and recognition of performance

292. In its resolutions 44/198, 46/191 and 47/216, the General Assembly invited the Commission to examine various aspects of performance appraisal and management. The Commission considered those issues at its thirty-seventh, thirty-eighth and fortieth sessions. At the thirty-seventh session, it undertook an overview of performance appraisal and merit recognition systems in the United Nations common system and in other employers. At its thirty-eighth session it had before it a series of specific products prepared at its request:

(a) An update of the principles and guidelines for performance appraisal and the recognition of merit approved by the Commission in 1987; 12/

(b) A proposed framework for reward and recognition programmes and for the treatment of different levels of performance;

(c) Proposed measures for dealing with unsatisfactory performance;

(d) Generic training modules on performance appraisal;

(e) A timetable for the implementation of the above measures.

293. At its thirty-eighth session, the Commission decided that it would submit the package to the General Assembly in 1994. 13/ The present report is based on a representation of the package to the Commission at its fortieth (June/July 1994) session.

Views of the organizations

294. The Chairman of CCAQ said that the documentation before the Commission provided a comprehensive basis for enhancing performance recognition and management. CCAQ had also been pursuing studies in that area, in order to lay the groundwork for improving managerial skills and management systems. A number of organizations had assigned priority to the improvement of their performance appraisal systems and were fairly far advanced in the introduction of more rigorous performance appraisal systems and recognition and reward programmes. Drawing on experience gained in some organizations, CCAQ would endeavour to develop a prototype performance appraisal form and associated guidelines, which were key to the development of a performance management culture. It looked forward to continuing its cooperation with the ICSC secretariat in that endeavour.

295. On the basis of developmental and research work in the area of performance management, CCAQ wished to comment on the size of cash awards which might be made under recognition and reward programmes. The ICSC secretariat had concluded that merit awards to recognize performance should be considered as meaningful by the organizations. CCAQ concurred with that conclusion, but did not consider that the secretariat's proposal as to the size of such awards (i.e. the equivalent of the staff member's within-grade increment) was consistent with its own conclusion. CCAQ had not yet determined what would best constitute such an award; indeed, such determination must to a certain extent be left to

individual organizations in the light of budgetary and other considerations. The organizations would, however, at the current stage foresee an amount equivalent to half a month's net pay (excluding post adjustment) for cases of superior performance or, for cases of truly outstanding performance, the equivalent of a month's pay for the respective category of staff. In all cases, such awards would be paid in the form of non-pensionable lump-sum bonuses.

296. CCAQ intended to present more detailed proposals as to the extent of cash awards at the time of ICSC's next review of the matter. It wished to emphasize that cash awards were not the only or indeed necessarily the best way of recognizing excellent performance. Nor was the exact amount of the cash award the most crucial factor: the point was that a cash award had to be significant enough to be meaningful. Non-cash awards and other forms of recognition were equally if not more important for some organizations.

297. He emphasized the need for a degree of flexibility in order to meet the individual needs of organizations. Subject to the above comments, CCAQ could endorse the principles and the framework set out in the secretariat's document.

298. ACC had paid particular attention to the matter in the light of its review of the CCAQ proposals to develop performance management for the managerial category. ACC had suggested that CCAQ not limit itself to the managerial category but move rapidly forward with rigorous performance appraisal for all staff. It was evident from the comments by executive heads in that connection that there was a deep commitment to enhancing the performance and effectiveness of all staff in the common system through the introduction of viable performance management systems.

299. The representative of the United Nations said that his Organization was just embarking on the introduction of a new performance appraisal system, which was closely modelled on the ICSC principles and guidelines. The United Nations intended to proceed in a phased manner, with priority being given to having in place a viable performance appraisal system: it did not envisage using any awards, whether monetary or non-monetary, until it had established a solid basis for differentiating performance levels.

300. The representative of UNDP recalled that UNDP had introduced some four years ago a new performance appraisal review system as part of an overall process of human resources management reform. That process had represented a fundamental reform and had been accompanied by a major training programme covering all UNDP staff globally. The revised system, which had been introduced with the strong support of the UNDP Administrator, had significantly changed performance rating patterns in UNDP, although there was still some room for improvement. Now that the system was firmly in place, UNDP was introducing a scheme of non-cash awards in its country offices.

301. The representative of UNHCR informed the Commission that UNHCR had under consideration a revised performance evaluation scheme in the framework of a revised and expanded human resources management system. The new scheme, which would include rigorous performance assessment requirements, would be accompanied by a major training programme. In conjunction with the scheme, UNHCR foresaw inter alia the introduction of a merit award system, whereby a merit award could be payable to staff receiving the top performance ranking (up to a maximum of 5 per cent). While the details of the revised human resources management system were still subject to consultations within UNHCR, cash merit awards equivalent to half a month's net base salary at the mid-point of the relevant salary scale

(excluding post adjustment for Professional and higher category staff) were under consideration.

302. The representative of ILO said that ILO was planning to revise its performance appraisal system. The Governing Body had recently taken certain decisions concerning the suppression of supplementary steps for meritorious performance and had requested the Director-General to submit proposals on transitional measures for serving staff. ILO was therefore in favour of keeping a degree of flexibility in granting rewards for meritorious performance, including the possibility of non-pensionable monetary rewards.

303. The representative of FAO said that FAO had under review its system of performance appraisal, which had been in effect for several decades. It intended to proceed cautiously, and did not envisage the use of cash awards in the near future, although it would like to keep the possibility open of using them eventually.

Views of the staff representatives

304. The FICSA representative supported the implementation of the proposed performance appraisal system. Furthermore, FICSA recommended that the system be applied to all staff and not only the managers of the common system. FICSA also suggested that some form of upward appraisal be studied.

305. FICSA rejected the issue of performance pay. The reasons given for its total lack of support were that performance pay had not enjoyed any success within national Governments where it had been implemented and performance pay would not be implemented using any objectivity but would lead to political pork-barrelling. The Federation did not believe that performance appraisal would be taken seriously by the administrations. The monies required for training or development would not be spent by the administrations for implementation.

306. FICSA expressed the hope that the issue of recognition and reward of merit would be the subject of close consultation within the framework of the appropriate staff/management body prior to introduction in a given organization.

307. The representative of CCISUA said that, in principle, CCISUA welcomed a performance-based approach, but it was concerned about several aspects. First, while future changes in recruitment and placement policies might yield personnel management-oriented supervisors, the existing situation was far from that ideal. Secondly, the performance-based approach relied heavily on supervisors' counselling abilities; that was a task that most managers did not do well. It was thus clear that the success of the system depended on a massive training commitment and CCISUA wondered whether that could be achieved with the limited resources available.

308. CCISUA was particularly wary of limitations on the recourse procedure. It was not easy to ensure fair and uniform criteria in a multicultural and highly politicized environment; CCISUA therefore believed that the present open recourse procedure should be retained for at least the first year of implementation of the new appraisal system. CCISUA was also concerned about the morale problems caused by forced ratings distribution. Once an appraisal system was in place that enjoyed the confidence of staff and management, consideration could be given to a system to reward superior performance. CCISUA considered that effective career planning and development systems would be a better motivation for staff than merit awards.

309. CCISUA welcomed the comprehensive training modules presented, which provided an excellent framework to guide organizations in building their own appraisal training programmes. It looked forward to increased participation in developing and implementing such programmes. Performance appraisal workshops and seminars should be mandatory for all staff members.

Discussion by the Commission

310. The Commission recalled that its study of that key area of human resources management derived from several interrelated sources:

(a) Follow-up to the principles and guidelines for performance appraisal and the recognition of merit that the Commission had recommended in 1987 for application by the agencies. Organizations had been requested to align their performance appraisal systems with them by July 1992;

(b) Follow-up to the 1989 comprehensive review. In its consideration of measures to enhance motivation and productivity in the context of that review, ICSC had recommended that cash awards might be considered for staff whose performance over a single appraisal period on all the important elements of the job exceeded expectations;

(c) Requests by the General Assembly to pursue consideration of performance appraisal and merit recognition systems;

(d) Priority attached by the personnel managers of a number of common-system organizations to more effective performance management.

311. The Commission recalled that performance appraisal was an area to which it had devoted considerable attention, starting in the early 1980s. While somewhat frustrated by the uneven progress made by organizations in that regard, the Commission considered the subject of such key importance that efforts to improve the situation must continue. The recent requests by the General Assembly implied that performance appraisal schemes should provide the basis for identifying different levels of performance and treating them accordingly. The Commission noted that the difficulties with the rigorous and objective evaluation of performance were not so much with the performance appraisal schemes per se as with their application. It emphasized that performance appraisal was not an end in itself, nor could it function properly unless an organization/agency defined its mission in performance-related terms and acted at all levels to reinforce that message. Performance appraisal should be but one element of a set of integrated measures (including organizational design and the planning and development of human resources) that served to achieve the goal of improved overall performance - i.e. the process of performance management.

312. In considering the different elements of the performance appraisal and management package before it, the Commission drew attention to the considerations outlined below.

Principles and guidelines for performance appraisal and management and for the recognition of different levels of performance

313. The Commission concluded that the 1987 principles and guidelines had been well received by the organizations, and that, with a few exceptions, the design of organizations' performance appraisal systems conformed to them. But it was equally clear that significant problems remained in the application of a number of systems. The principles and guidelines had therefore been updated with a

view to underscoring the continued importance of properly functioning appraisal systems, focusing on problems of application and reflecting emerging trends in a rapidly evolving field.

314. The major new elements introduced in the revised principles and guidelines were:

(a) A stronger focus on the importance of a performance-related management environment in which senior management set the tone in reinforcing the credibility of performance appraisal and management;

(b) Greater emphasis on the need for full transparency and understanding of the system at all levels;

(c) Stronger insistence on the need for objective and rigorous appraisal of performance at all levels;

(d) Introduction of the concept of competencies (i.e. generic standards of knowledge, skills and abilities applicable to job groups) as a complement to task-based performance appraisal schemes.

315. The Commission emphasized, however, that the publication of those principles and guidelines would not, in and of itself, produce viable performance appraisal and management systems. That much was evident from the experience with the 1987 guidelines. If real headway was to be made, organizations had to be firmly committed to changing the way they recognized performance and prepared to dedicate the necessary resources to that end.

Measures for dealing with different levels of performance

316. The Commission recalled that, in 1987, its principles and guidelines had been accompanied by a recommended series of consequences for different performance levels. It reaffirmed, as a principle, the need to recognize different levels of performance, including meritorious performance. The question was how that should appropriately be done in the international civil service.

317. The Commission noted that merit recognition was a useful human resources management tool for the following reasons:

(a) It sent a message to the workforce as a whole that the organization placed a premium on quality and excellence in performance;

(b) By doing so, it served to motivate all staff to perform better, thereby improving morale and productivity.

318. Merit systems were, however, no substitute for a fair and adequate compensation system and should not be considered as compensating for salary levels that were perceived as inadequate.

319. The Commission analysed extensive information regarding the use of merit-based pay and merit awards, both within and outside the United Nations system. It noted that merit recognition schemes of various kinds, ranging from award systems to full-fledged pay-for-performance, were now in widespread use by employers in both the public and the private sectors. With regard to the setting of basic compensation, approaches varied from totally seniority-based systems to merit-based pay systems (also known as "performance pay" or "pay for

performance") whereby a proportion of the employee's pay was placed "at risk" to be granted on the basis of an assessment of merit. That assessment might be arrived at through a comparative ranking or forced distribution or by means of granting merit pay awards to all staff achieving certain performance levels.

320. The pay structure currently in effect in the United Nations common system provided for a scale of grades, through which a staff member progressed by means of promotion; salary progression within a given grade was by means of predetermined increments, granted subject to satisfactory performance on an annual (in some instances, biennial) basis. While nominally performance-based, the system was in practice more seniority-driven than official policies and provisions would indicate; the fact that the performance of only a minuscule proportion of staff was rated unsatisfactory had resulted in a situation where the within-grade increment had become a quasi-automatic right, as opposed to a reward for satisfactory performance.

321. The Commission noted that merit-based pay had the potential for forging more performance-driven overall organizational behaviours. However, experience had shown that unless merit-based pay was introduced in the right environment, it did not achieve the intended results. A prudent approach was therefore necessary.

322. The Commission noted from the documentation that, in some employers, the concept of performance-based pay had been introduced through the establishment of performance-based pay systems at the managerial level: that had been followed in the comparator civil service with the creation of SES and at senior levels in other national civil services. The theory behind that approach was that, through the creation of a performance-based culture at senior levels, new attitudes would permeate down throughout the organization. The Commission recalled in that connection that CCAQ had provided a briefing at the thirty-ninth session on a package of proposals designed to enhance managerial effectiveness and accountability. Those proposals were currently under further study by ACC; if they were presented to the Commission at a later date, the Commission would consider at that stage whether and how its recommendations in respect of reward and recognition programmes, as discussed below, should be adapted.

323. The Commission concluded that the approach that would best meet the needs of the common system as a whole at the current stage would be the introduction of recognition and reward measures for outstanding performance, coupled with appropriate measures for dealing with cases of underperformance and poor performance.

324. The Commission was of the view that, taking into account experience both in common system organizations and elsewhere, performance management programmes should be based on a forced distribution approach. While recognizing that allocation of precise percentages for different categories of performance was problematical, the Commission emphasized that the core assumption of any ratings distribution should be that the majority of staff were rated at a level corresponding to satisfactory performance/full performance or the like. It was essential to remove the prevalent perception that "satisfactory" was synonymous with "mediocre": staff performing "satisfactorily" were conforming to the standards of the Charter of the United Nations and could expect a normal career progression. In that context, the Commission noted again the linkage between performance appraisal, merit recognition and human resources planning, and the need to put in place career management systems that would take the weight off

the performance appraisal process and respond to the concerns expressed by staff about career stagnation.

325. Performance appraisal rating systems should provide for at least three levels of performance: full performance, above full performance and underperformance. Whether organizations wished to introduce refinements of the latter two categories would depend on their individual circumstances. Assuming a five-level system, a suggested distribution of performance levels is given in annex VIII, table A.

Recognition and reward measures

326. The Commission noted that measures that could be granted in recognition of meritorious performance were basically of two types: non-cash awards and cash awards.

327. The Commission considered proposals by its secretariat for a series of prototype reward and recognition programmes, intended for use in conjunction with performance appraisal systems and structured in accordance with the principles and guidelines developed by the Commission. The proposals foresaw the limited use of lump-sum cash awards (in the amount of a staff member's annual within-grade increment) and the more widespread use of non-cash awards.

328. In considering the proposals, the Commission noted a continuing divergence of views on the motivational impact of cash individual awards. Several members expressed concerns of principle in that regard and questioned whether such awards were appropriate in the international civil service. The Commission further noted that the staff had expressed scepticism about the ability of management to handle award systems in an objective manner. It was noted at the same time that some organizations considered the availability of some form of cash bonus for outstanding service to be a necessary element of more broadly based efforts to enhance performance management. In that connection, the Commission recalled that it had already, in 1987 and again in 1989, provided in its recommendations in that area for the payment of lump-sum cash bonuses for a limited number of cases of outstanding performance. Some organizations already had limited merit award systems in place: most, however, had felt the need for more specific guidance in that area.

329. The Commission considered that some of the concerns expressed above related to non-cash awards also. It noted from the documentation that non-cash awards could take a variety of forms, ranging from symbolic-type awards (certificates, plaques and the like) to measures (e.g. travel, training and study leave), which could have significant financial implications.

330. The Commission noted that, since its secretariat had embarked on the latest round of studies in that area, more than two years had elapsed. It took note of the statements by organizations as to the current status of their efforts to improve their performance management systems, which seemed to confirm that the emphasis was being placed on establishing sound performance appraisal systems as a sine qua non for merit recognition programmes. That being so, and in order to help to move forward the entire process of performance management reform, the Commission concluded that it would be appropriate to make more specific recommendations for recognition and reward programmes for those organizations that wished to introduce them. In that connection, it noted the statements by several organizations that they did not envisage introducing merit awards, particularly of a cash nature, in the near future.

331. In the light of the various considerations involved, as outlined above, the Commission agreed to recommend the following parameters for organizations wishing to introduce recognition and reward programmes:

(a) For staff receiving the top performance rating (i.e. outstanding), which under the proposed ratings distribution would not exceed 5 per cent of an organization's workforce, the following awards could be granted:

(i) Lump-sum, non-pensionable bonus in a maximum amount of half a month's net base salary (i.e. excluding post adjustment) at the mid-point of the applicable salary scale;

(ii) Non-cash awards of up to the same amount;

(iii) Symbolic-type non-cash awards;

(b) The criteria for granting such awards should be developed in accordance with the guidelines set forth in paragraphs 35 and 36 of annex VIII to the present report.

332. In connection with the above, the Commission reiterated its earlier recommendation that cash awards should be lump-sum, non-pensionable bonuses, rather than additional within-grade increments for the following reasons:

(a) Salary increments for merit provided a permanent reward for superior performance that had been recognized at a given point in time;

(b) Their pensionability represented an additional cost to the system, which was not performance-related;

(c) They aggravated problems of career stagnation by pushing staff faster towards the top of the grade; in the process, they also distorted overall salary relativities for both Professional and General Service staff;

(d) They were not available to deserving staff who were already at the top of the grade;

(e) Their motivational impact was lessened by the fact that they were paid monthly rather than on a lump-sum basis.

333. The Commission therefore recommended that organizations that currently granted merit increments should discontinue them in favour of lump-sum bonuses.

334. The Commission noted that the formula recommended in paragraph 331 (a) above would yield a uniform amount (of approximately $2,000) for staff in the Professional and higher categories, irrespective of duty station. For the General Service and related categories, the amount would vary by location. In that connection, the Commission recommended that the amount of awards for the General Service and related categories should not exceed that for the Professional and higher categories, i.e., at those duty stations where application of the formula would lead to a higher amount for General Service and related category staff, a cap should be set at the amount for Professional and higher category staff.

335. The Commission considered that the system of awards should be introduced on a trial basis for two years. Experience with the system should be reviewed by the Commission thereafter, with a view to deciding whether it should be

continued and/or amended. The Commission requested its secretariat, in consultation with the CCAQ secretariat, to develop a mechanism for monitoring and reporting on the operation of performance management systems, including recognition and reward programmes. It considered it desirable that reports on the subject should include feedback from the staff. In that connection, the Commission emphasized that initiatives in the area of performance management should be developed in close consultation with the staff representatives of the organizations.

336. The Commission emphasized that the awards should be equally applicable to teams; it considered the team approach to be particularly beneficial in a multicultural workforce like the United Nations system and strongly recommended that it be a major focus of both monetary and non-monetary awards.

337. The Commission further noted the value of incentive-type awards, both individual "suggestion" type schemes and group incentive schemes. Group incentive plans must, however, be carefully designed and administered and should be integrated within a broader process of management improvement and reform. In such a context, it should be possible to use part of the savings generated from successful group incentive programmes to fund reward and recognition programmes as a whole. The Commission also noted the value of special contribution awards.

338. As to the use of personal promotions in that context, the Commission recalled that in 1993 14/ it had reaffirmed the possible use of personal promotions in certain specific circumstances. It did not, however, in general advocate the use of personal promotions, and felt that the introduction of reward and recognition programmes could reduce the need for personal promotions.

339. The Commission noted that, under its recommendations, awards of any type, whether to individuals or teams, would be limited to a maximum of 5 per cent of an organization's workforce. In the light of experience with similar schemes outside the system, the Commission noted the need for overall management control of such programmes and recommended that an annual ceiling on their cost should be set at 0.1 per cent of total standard costs.

340. The Commission wished in that connection to emphasize that, unless organizations were contemplating a major reform of their human resource management and performance management systems, they should not embark on merit award systems.

Consequences of unsatisfactory performance

341. The Commission reiterated that the proper identification and treatment of cases of unsatisfactory performance was an indispensable corollary to recognition and reward programmes. If it was demotivating for staff to see meritorious performance go unrecognized, it was equally demoralizing if apparently known cases of poor performance were not dealt with appropriately. Not only did that situation generate cynicism about how the organization valued performance; it tended to contribute to egregious overrating, for if poorly performing staff were rated "satisfactory", a skewed sense of justice dictated that satisfactorily performing staff must be adjudged "very good". "Very good" rapidly became the minimum acceptable norm and anything less was considered a negative rating. Hence the situation developed where the large majority of staff were rated above average, and the performance appraisal and rating system lost credibility.

342. The Commission wished to emphasize that performance appraisal systems were not designed to punish poor performers but rather to optimize performance at all levels. However, the fact remained that there would always - in any employer - be a small minority of staff whose performance was not up to standard.

343. On the basis of the information before it, the Commission concluded that the introduction of new procedures for dealing with cases of unsatisfactory performance was unnecessary: the problem lay with the application of existing procedures.

344. Crucial to the proper treatment of underperformance was early detection and corrective action. Supervisors should not wait until the end of the appraisal period to inform staff that their performance was not up to scratch but should provide them with corrective feedback, counselling and coaching on a regular basis. If the corrective feedback was not having the desired effect, the supervisor should take one of the actions set forth in annex VIII.

345. In that connection, the Commission emphasized that the most effective cure for underperformance was prevention. The application of rigorous recruitment procedures, including structured interviews, would tend to lessen recruitment errors; conscientious monitoring of performance during the probationary period was also essential. The fewer poor performers that were recruited into, or retained in an organization, the easier it would be to apply sanctions in the rare cases that did occur. If an organization had reason to believe that it had a significant segment of staff performing below par, it might wish to take other measures to supplement those outlined above, e.g., attitude surveys.

Training for performance appraisal

346. The Commission considered a series of generic modules for training in performance appraisal that had been developed in conjunction with the organizations. Noting the emphasis placed in the principles and guidelines on adequate training in and understanding of, the performance appraisal process, the Commission welcomed that initiative. It endorsed the modules, which appear in annex VIII, as an integral part of the performance management package it was recommending to the organizations.

Conclusions and recommendations by the Commission

347. The Commission decided:

(a) To invite organizations to assign high priority to the improvement of performance appraisal systems, as appropriate;

(b) To approve the modules for training in performance appraisal contained in annex VIII, and recommend their application in the organizations;

(c) To reaffirm the importance of objective performance appraisal systems as a tool for performance management and improvement and, to that end, the need for performance to be evaluated realistically, objectively and rigorously, on the basis of accepted performance standards and competencies;

(d) To approve the revised guidelines for performance appraisal and management and the recognition of levels of performance contained in annex VIII, and recommend them for application by the organizations;

(e) To recommend that organizations wishing to introduce merit award schemes as part of their initiatives to enhance performance appraisal and management should do so within the following parameters:

(i) Merit awards should be limited to staff whose performance had been adjudged, on the basis of rigorous performance appraisal, to be truly outstanding; such staff should not exceed 5 per cent of an organization's workforce;

(ii) Merit awards might take the form of either a lump-sum non-pensionable bonus in a maximum amount of half a month's net base salary at the mid-point of the applicable salary scale or a non-cash award of up to the same amount or symbolic-type non-cash awards;

(f) To approve the measures for dealing with cases of unsatisfactory performance, as set out in annex VIII, and recommend them for application in the organizations;

(g) To bring the results of its consideration of the matter to the attention of the United Nations General Assembly at its forty-ninth session, and of the legislative/governing bodies of other common system organizations, for appropriate action within the guidelines established by the Commission;

(h) To request its secretariat (i) to present a follow-up report on performance appraisal and recognition, including the application of recognition and reward programmes, at ICSC's forty-fifth (March 1997) session; and (ii) to continue in the meantime to study other merit-based approaches to pay-setting and to report thereon to the Commission, as appropriate.

348. The Commission noted that, if its recommendations in respect of merit awards were applied by all organizations of the common system, the estimated financial implications would be some $4 million a year. That represented approximately 0.1 per cent of total budgeted standard costs, and that percentage should serve as a cap within which any agency wishing to introduce a recognition and reward programme should operate.

B. Appointments of limited duration

349. The issue of United Nations appointments of limited duration was before the Commission at its fortieth session as a result of a request by the Fifth Committee of the General Assembly, which in June 1994 had raised a number of questions about those provisions and had asked for the views of ICSC thereon. The Fifth Committee decided that the matter would be held over until its forty-ninth session, at which time it would have before it the Commission's annual report. The secretariat had prepared an analysis of the proposed new arrangements which was made available to the Commission, together with documentation on the subject provided by the United Nations.

350. The United Nations had developed these arrangements under the 300 series 15/ of its Staff Rules as a flexible contractual instrument that would enable the Organization to recruit, at short notice and with minimum overhead costs, non-career staff at both the General Service and the Professional levels for the peace-keeping, peacemaking, humanitarian, technical cooperation and special operational needs of the Organization.

351. The Commission was also informed that UNDP was currently applying, on a pilot basis, a scheme of appointments for "activities of limited duration". The scheme had been brought before the UNDP Governing Council in 1992 and had received the Governing Council's agreement, subject to consultations with the United Nations, the other organizations and ICSC. The arrangements had been the subject of consultation with the ICSC Chairman in 1993 when it was agreed that the scheme would go ahead on a limited pilot basis.

Views of the organizations

352. The United Nations Director of Personnel reported that the new arrangements had been presented to the Fifth Committee. The rapid increase in the number of peace-keeping missions and other operational activities of limited duration had created an urgent need for more flexible ways to recruit and a more streamlined way to administer staff who needed to be deployed to such activities, often at very short notice. In the absence of more suitable contractual arrangements, most staff were employed under the 100 series and many staff were presently serving for extended periods of time on special service agreement contracts. They were not intended for long periods of employment or for line functions and did not confer the status of staff of the United Nations but of "experts on mission", with the result that such persons were not covered by the United Nations immunities and privileges regime. She explained that creation of a brand new series of staff rules had been considered, but rejected as being too cumbersome as compared to revising an existing series. Responding to the issue on technical assistance project personnel, the Director of Personnel remarked that the 200 series, intended for staff recruited for technical cooperation activities, had become every bit as complex as that of 100 series staff. As to consultations with other agencies, the ones that followed closely the United Nations system of rules had been thoroughly consulted. She expressed regret, however, that consultation had not been adequate as regards ICSC. She considered that agencies required by their governing bodies to follow the United Nations Staff Rules, could use whichever series - 200 or 300 - they found to be appropriate to their needs and was of the view that the problems raised by ITU (see para. 358 below) could be solved.

353. She explained that considerations of geographical distribution were not an issue for the following reasons: (a) the mission/operations-related posts to which the limited duration contractual arrangements were to be applied were not subject to geographical distribution; (b) replacement by temporary staff of staff deployed on mission did not affect the geographical composition of the Secretariat because the geographical attribution of the post remained with the deployed staff member.

354. With respect to Pension Fund coverage, she explained that, while staff recruited under the new arrangements would be participants in the Fund, the United Nations was currently trying to simplify the procedures for withdrawal settlement upon separation. Even though many staff would not serve long enough to become vested, the United Nations attached importance to giving the staff access to other forms of social security coverage, such as survivors' and disability benefits, which derived from Pension Fund participation.

355. In so far as the relationship between the new arrangements and regular appointments was concerned, it was the United Nations intention to monitor the application of the new 300 series very closely to see if adaptations were

necessary. One revision had already been introduced, i.e., provision for appointments of less than six months, which had originally not been envisaged. She stressed that on replacement posts, staff would be recruited from the outside or internal staff would be given the opportunity to work at lateral or higher levels.

356. In conclusion, she emphasized the additional importance and advantage of the new series for easing and streamlining the burden of administering such non-career, rapidly changing staff, particularly as regards the administration of benefits, allowances and entitlements. She urged the Commission to support the new arrangements, which would go a long way towards resolving the Organization's current problems of trying to recruit and administer staff under existing processes more appropriate to the traditional structures of a career-oriented system.

357. The UNDP Director of Personnel stated that the purpose of UNDP's appointments for activities of limited duration was different from that of the United Nations since peace-keeping was not UNDP's focus. UNDP's responsibility to keep abreast of the changing requirements of Member States had led to increased recruitment for short-term activities, for which agile and efficient contracting mechanisms were a must. UNDP was funded increasingly by extrabudgetary funds that could not be predicted from year to year. All these factors had led to the search for a more appropriate type of contract. That search dated back at least to 1989 when the matter was raised as a common system item in the context of the comprehensive review of conditions of service of the Professional and higher categories. 16/ A CCAQ Task Force had subsequently been useful to obtain a full airing of a full range of issues. At the time, as now, not all organizations had the need for that new arrangement. UNDP's Administrator had sought and obtained the agreement of UNDP's Governing Council in mid-1992 to proceed on a pilot basis with the activities of limited duration appointments. UNDP had then proceeded to develop the modality, which was seen as nimble as opposed to being sluggish. The UNDP Administrator would be giving a progress report to the UNDP Executive Board (formerly the Governing Council) in October 1994, and UNDP would continue to share information and consult with the ICSC secretariat and the Chairman as it had been doing since last year. A carefully monitored approach was planned as UNDP moved forward with that innovative arrangement.

358. The representative of ITU, in a letter read out by the Chairman, recalled that his organization, by a decision of its governing body, was obliged to follow United Nations practice relating to the provision of short-term contracts. He was aware that the United Nations and certain of its organs had specific needs, such as peace-keeping and humanitarian activities, and considered that special statutory provisions should be applied in those cases. In his opinion, the United Nations proposals to amend the Staff Rules went beyond those specific instances inasmuch as they also covered activities falling under technical cooperation. He was of the view that that was a common system matter that required consultation between all the organizations and ICSC. ITU had serious misgivings about the appropriateness of treating short-term staff with identical responsibilities differently, depending upon whether or not they were engaged in technical cooperation activities. He was of the view that to offer different remuneration according to the nature of the activity went against the fundamental principle of equal pay for equal work which was the cornerstone of the common system. The same held true for offering short-term contracts for periods of up to four years when fixed-term contracts from one to five years could apply.

359. The Secretary of UNJSPB detailed the history of staff eligibility for membership in the Pension Fund. He explained that, in providing pension coverage, the United Nations and UNDP were in conformity with article 21 of the regulations of the Fund. The issue of exclusion had system-wide implications and it was therefore important that staff be treated consistently.

Views of the staff representatives

360. The representative of CCISUA acknowledged the need for better management of the large numbers of staff being recruited for peace-keeping missions. He had some questions about the scheme, which he trusted would be answered in the course of the discussion.

Discussion by the Commission

361. The Commission recalled that the matter of non-career/limited duration staff had been raised in 1989 during the comprehensive review of the conditions of service of staff in the Professional and higher categories, although it had not been possible at that time to consider it in depth. The Commission further recalled that the CCAQ Task Force, established in 1991 to examine the need for new contractual arrangements for non-career staff employed for limited periods of time, had proposed a framework for the employment of non-career staff engaged to perform time-limited functions, including a streamlined remuneration system based on salary bands and lump-sum arrangements.

362. The Commission expressed the view that the issue before it, coming late in the day as it had, placed ICSC in somewhat of a dilemma. It expressed regret that it had not been consulted in a timely manner on an issue that had clear common-system implications. It was evident that the Commission did not have time at the present session to explore the matter in the depth required. The Commission noted the explanations of the United Nations Director of Personnel, but considered that there remained a number of issues that had broader ramifications and needed to be resolved.

363. A number of questions were raised as to how the proposed arrangements would operate in practice. Important questions of both principle and practice were involved in recruiting staff for similar functions and paying them differently. The proposed replacement arrangements also posed a potential problem. Several members expressed concern that a new category of staff was being created under parameters that had not been well thought through. Experience with NPOs category led the Commission to exercise caution in the present case. The Commission concluded that every effort should be made by the secretariat, together with the parties concerned, to resolve those outstanding issues to the extent possible prior to the forty-ninth session of the General Assembly.

364. At the same time, the Commission recognized that the United Nations found itself at the present time in a unique situation and required a tool to assist it in meeting its operational requirements. Members supported the concept of streamlining procedures to attract and administer staff. It was noted that such arrangements were a more efficient means of recruiting staff rather than primarily a money-saving measure. The Commission emphasized the importance of ensuring that the concept of limited appointments was adhered to and the situation carefully monitored.

365. The Commission noted that the UNDP activities of limited duration arrangements represented was a limited pilot project that was being closely monitored in consultation with the secretariat.

Decision of the Commission

366. The Commission decided to advise the Secretary-General that the United Nations Secretariat might proceed on a provisional basis with the new arrangements, on the understanding that the ICSC secretariat would be holding consultations in the coming months between the parties concerned on the range of outstanding issues identified, such as the scope, criteria, replacement mechanisms, job classification aspects, etc. of the activities of limited duration arrangements. It further decided that UNDP might continue the pilot operation of its activities of limited duration scheme.

367. The Commission decided that it would revert to the subject at its summer 1995 session, at which time it would focus in depth on the issues involved including those referred to in paragraphs 362 and 365 above, taking into account the experience with the new arrangements.

Chapter VIII

ACTION TAKEN BY THE COMMISSION UNDER ARTICLE 17 OF ITS STATUTE

Ad hoc measures for the Rome post adjustment

368. At its March 1993 session, the Commission had considered an item dealing with the Rome post adjustment classification at the request of FAO. FAO had requested the Commission to consider the matter urgently in view of the impact that the major devaluations of the Italian lira against the United States dollar and other European currencies were having on the level of the post adjustment classification in Rome. FAO pointed out that those devaluations had been so extreme that the lira had had to be withdrawn from the European Exchange Rate Mechanism (ERM) in September 1992. Along with that information, FAO had proposed special measures that could be applied in order to re-establish stability in the portion of take-home pay received in local currency as well as that in United States dollars or some other major convertible currency.

369. After a careful analysis of the information before it, the Commission had concluded that there appeared to be no valid technical reason to suspend the normal operation of the post adjustment system in the case of Rome. It had expressed reservations on the special measures proposed by FAO on the principle that the post adjustment system was working as intended. However, it had been sympathetic to the unusual situation then existing in Rome, which required some special remedy. Members had been of the view that some relief in itself should not call into question the proper functioning of the existing post adjustment methodology. At the same time, the Commission had been mindful of the staff/management issues that had arisen. In searching for an ad hoc measure that would address the special situation in Rome, there had been general agreement that such a measure should have a sound technical basis. After carefully examining the proposal put forward by FAO and that of its secretariat, the Commission had concluded that the approach taken by its secretariat was within the framework of the post adjustment system. Members had expressed serious reservations regarding the future consequences of ad hoc measures under consideration and stressed that they were temporary measures and should not be considered as a precedent. The procedure to be applied in calculating the drop in take-home pay resulting from devaluations of the local currency in Italy had been outlined by the Commission as part of its decisions in that regard along with the conditions for the discontinuation of the special measures. The Commission had also stressed that the proposed measures should be considered as ad hoc and interim and should be applied for a limited period of time.

370. The ad hoc measures approved by the Commission were applied with effect from April 1993. As of 1 February 1994, an increase in the post adjustment classification attributable to inflation had become due for Rome. On the occasion of the increase, in accordance with the Commission's decision, an examination of the conditions stipulated by the Commission for the discontinuation of the ad hoc measures was carried out. On the basis of the results of that examination, the ICSC Chairman had concluded that those conditions had been met and that the ad hoc measures should be discontinued as of 1 February 1994. The February 1994 post adjustment classification for Rome was thus determined in accordance with the normal operation of the post adjustment system. The ICSC Chairman had informed the Commission of his decision regarding the discontinuation of the ad hoc measures for Rome at the February/March 1994 session of ICSC.

371. The FAO administration, however, was of the view that the conditions established by the Commission at its March 1993 session for the discontinuation of the ad hoc measures had not been met and that the lira had continued to devalue, both against the United States dollar and against major European currencies. In an administrative circular dated 31 March 1994, the FAO staff had been informed of the developments concerning the ad hoc measures. The staff had also been informed that the Director-General of FAO, pending satisfactorily documented justification, had decided that ad hoc measures should continue to apply.

372. As the FAO decision had been taken without any previous consultation with the ICSC Chairman or its secretariat, an exchange of correspondence concerning the matter had ensued between the FAO administration and the Chairman of the Commission and its secretariat. As the consultations did not lead to a satisfactory solution of the problem, the matter was brought before the Commission by its Chairman at the June/July 1994 session.

Views of the FAO administration

373. The representatives of FAO, on behalf of the Rome-based organizations, provided a chronology of events leading up to the current impasse. It was recalled that the massive and continued devaluation of the Italian lira had created serious difficulties for FAO in terms of significant losses in local currency take-home pay borne by its serving staff and seriously reduced starting salaries, thereby creating recruitment difficulties. The cause of the situation, a major devaluation of the local currency at a Group I duty station, was an event for which the current post adjustment system provided no response.

374. A special measure had therefore been instituted by ICSC to assist the Director-General of FAO, in mitigating the management problems created by the devaluation. That measure was intended to be temporary in nature and was to be removed either when the lira achieved stability as defined clearly by the Commission at its March 1993 session or when the next Rome/New York place-to-place cost-of-living survey took place. A decision to remove the special measure had been taken without consultations with FAO. As neither of the conditions for the removal of the special measure had been met, FAO maintained that the measure should remain in place until one of them was.

375. The FAO representatives emphasized that FAO did not question the authority of the Commission or the delegated powers of the Chairman to establish post adjustment classifications under the provisions set out in the ICSC statute. It was recalled, however, that the Director-General bore a legal responsibility towards his staff, clearly defined in the long-standing jurisprudence of the ILO Administrative Tribunal, to review the decisions of ICSC. If he found them to be legally or technically flawed, he was required not to pass those decisions on to his staff, if to do so would deprive them of their legal rights. In the current case, the decision to discontinue the Rome special measure had been authorized when certain conditions regarding the stability of the lira vis-à-vis other European currencies had been met. Those conditions, however, had not yet been met.

376. It was for that reason that the Director-General had decided not to apply the decision to discontinue the special measure, pending further clarification of the matter. In not applying the contested decision, the Director-General had not sought to usurp the powers of ICSC and its Chairman with regard to the setting of the post adjustment. He had not attempted to recalculate the post adjustment for Rome, but had merely not applied the flawed decision to

discontinue the special measure and had maintained it at the level determined by the Commission, adjusted only to reflect changes in the exchange rate.

Views of the organizations

377. CCAQ confirmed that it upheld the concept of the common system, which implied that all organizations should apply the levels of pay and post adjustment established for each location by the Commission in accordance with its statute. At the same time it stressed that the Commission must take account of, and respond to, the needs of a particular organization or of several organizations at a particular location. For that reason CCAQ wanted the matter to be resolved at the earliest opportunity. CCAQ was also of the view that a working group should be convened to address problems concerning the operation of the post adjustment system.

Views of the staff representatives

378. The President of FICSA expressed dismay at the perceived personalization of the issue at the cost of the Professional staff in Italy. What had perhaps begun as a technical problem had degenerated into a battle of wills. It was not within the authority of the Commission to determine whether the decision of the Director-General of FAO to maintain the special measures for Rome was ultra vires. While data could be gathered or interpreted to achieve any desired result, there was strong anecdotal evidence to support the view that the post adjustment in Rome was inadequate. Indeed, there was a widespread belief that the entire post adjustment system was malfunctioning, so that a resolution of the Rome situation by the Commission would be a positive step towards addressing the problem and re-establishing staff confidence in the post adjustment methodology.

379. The President of CCISUA noted that the issue of the ad hoc measures for the Rome post adjustment centred on the legal issue of the delegation of authority and it should have been solved in that context. Against the legal and technical issues raised there was the reality that the staff in Rome had suddenly seen the value of their remuneration sizeably reduced in terms of other strong currencies. Although the amount in local currency had remained the same, the amount in United States dollars or Swiss francs or German marks had become considerably smaller and staff still had to meet certain commitments in those strong currencies outside their duty station. The President of CCISUA noted that normally a strong devaluation of a currency was accompanied by a high inflation rate; however, for some unusual reasons that was not the case in Rome. CCISUA believed that specific aspects of the post adjustment system, both at the conceptional and at the operational levels, should be reviewed. CCISUA welcomed the CCAQ proposal for the convening of a working group on the operation of the post adjustment system with a view to improving its transparency.

380. The General Secretary of the Association of Professional Staff of FAO presented further documentation to the Commission regarding the Rome post adjustment classification and the impact on it of the devaluation of the Italian lira. The 1,255 staff members of FAO and the World Food Programme (WFP) were convinced that there had been a misinterpretation of the Commission's March 1993 decision in that the conditions for abolishing the special measures had not in fact been met. That was demonstrated not only by comparing the language of the ICSC secretariat's interpretation of the Commission's decision but, equally important, by applying such interpretation to the month-to-month fluctuations of the major European currencies and the Italian lira against the United States dollar. Such application would have resulted in lifting the ad hoc measures in

July 1993 or four months following the decision. That had not been done because at the time only the Commission's decision had been applied and not an interpretation thereof. He noted that as a result of the significant devaluation of the lira since September 1992, the average FAO staff member with a fixed home allotment had lost $5,765 using the exchange rate of 1,390 lire to the dollar in take-home pay between that date and July 1994.

Discussion by the Commission

381. The Commission noted that under article 11 (c) of the ICSC statute, the authority for the classification of duty stations for the purpose of applying post adjustment was vested in the Commission. As part of its powers relating, inter alia, to the establishment of post adjustment classifications, the authority for the establishment of the special measures as well as their discontinuation rested solely with the Commission. Under article 18 of its statute, the Commission had delegated, inter alia, that responsibility to its Chairman. Consequently, the only legal basis for the promulgation of post adjustment classifications within the common system rested with the ICSC Chairman. The Commission was satisfied that its Chairman had acted within the framework of the ICSC statute and in accordance with the powers delegated to him. The Commission was also of the view that the decision taken by its Chairman had responded fully to the intent of the Commission and emphasized that all organizations were obliged to apply the levels of pay and post adjustment established for each location by the Commission in accordance with its statute.

382. The Commission noted that the entire issue centred on whether or not the conditions outlined by the Commission at its March 1993 session for the discontinuation of the ad hoc measures had been fulfilled. In that regard it was noted that two mutually exclusive interpretations had emerged. FAO maintained that the Commission had agreed that, if the fluctuation of the lira vis-à-vis the United States dollar was within plus or minus 5 per cent of the fluctuations of the other European currencies vis-à-vis the United States dollar, recommendations would be submitted to the ICSC Chairman to discontinue the special measures. In that context the FAO administration referred to the example in the report of the March 1993 session of ICSC, which it believed confirmed the FAO interpretation.

383. The Commission was of the view, however, that under the narrow interpretation given by FAO, the Commission's intention declared at the time of approving the special measures that they were of an interim nature and should be applied for a limited period of time, would not have been met. In that regard the Commission examined the movements of the lira and other major European currencies vis-à-vis the United States dollar over more than eight years and concluded that the conditions under the narrow interpretation had not been met during that period. Furthermore, the Commission also considered that, in all probability, the conditions attaching to the FAO interpretation would not be met in the future. The Commission stressed that it had never intended that the ad hoc measures should run forever, or for that matter for an extended period of time, which would have been the consequence under the FAO interpretation.

384. The Commission recognized that the formulation of the condition for the discontinuation of the special measures in one part of its report on the work of the March 1993 session was open to different interpretations. It was, however, of the view that when the report, and in particular the decisions dealing with the intended duration of the application of the special measures, were considered in their entirety, the interpretation given by the ICSC Chairman satisfied fully the intent of the Commission. The interpretation accepted by

the ICSC Chairman also measured the movements of the lira and other major European currencies vis-à-vis the United States dollar. When the movement of the lira, over a three-month period, was within 5 percentage points of the average movement of the other major European currencies over the same period, the condition vis-à-vis stability of the lira was considered to have been met. In that regard the Commission also noted that its report for the March 1993 session approving the special measures had also emphasized their ad hoc nature and that they were to be applied for a limited duration of time. The interpretation accepted by the ICSC Chairman for the discontinuation of the special measures had satisfied fully all conditions set by the Commission. It was also recalled that several members of the Commission had expressed serious reservations regarding the future consequences of the ad hoc measures when they were under consideration in March 1993 and had gone along with their approval very reluctantly on the understanding that they were definitely of a temporary nature.

385. The Commission noted the assertion by the FAO administration that, while continuing to apply the special measures in February 1994 and beyond, special measures as of January 1994 adjusted by exchange-rate changes had been applied. In that context it recalled that an increase had been granted in the remuneration of the Professional staff effective February 1994 and that the calculations made by FAO had not taken into account that increase.

386. The Commission considered the FAO administration's view that the special measures could have been discontinued upon the completion of the next place-to-place survey in Rome. It emphasized, however, that, while deciding on the application of the special measures for Rome in March 1993, it had never agreed to tie their discontinuation to the conduct of a place-to-place survey in Rome, and the FAO administration argument was therefore irrelevant. As to the comment by the General Secretary of the Association of Professional Staff of FAO that an average staff member in Rome had experienced losses in take-home pay between September 1992 and July 1994, the Commission noted that gains had been experienced prior to September 1992 when the Italian lira was strengthening against the United States dollar.

387. On the basis of the above considerations, the Commission concluded that the declared intentions of the Commission as regards the discontinuation of the special measures espoused in various parts of its March 1993 session had been fully satisfied when the Chairman decided to discontinue those measures. It therefore agreed that the decision by the Chairman had been taken under the authority delegated to him.

388. In searching for an ad hoc measure in March 1993 that would have addressed the special situation in Rome, there was a general agreement in the Commission that such measures should have a sound technical basis. Considering the experience of the application of the special measures in Rome, however, the Commission concluded that those or similar special measures should not be applied in the case of any duty station unless a well-thought-out and clearly defined basis for their application, as well as their discontinuation, was developed. In that regard it agreed that a working group consisting of the ICSC secretariat and the representatives of the organizations and staff should be convened to examine the problems relating to the operation of the post adjustment system as requested by CCAQ. The working group should also address, inter alia, the basis to be used for the suspension of the normal operation of the post adjustment system in cases of abrupt and substantial devaluations of the local currencies. The report of the working group should be submitted to the Commission in accordance with the usual procedures.

389. The Commission considered the issue of the Rome place-to-place post adjustment survey which, it noted, was already scheduled as part of the normal cycle of such surveys. In that regard it observed that ACPAQ had recommended that place-to-place surveys at headquarters duty stations should be carried out only after the methodology for the analysis of the external housing data was finalized. However, ACPAQ had also recommended that, bearing in mind the special circumstances affecting the Rome post adjustment classification, a place-to-place survey should be carried out in Rome as soon as possible on the basis of the existing methodology for the comparison of housing costs. The Commission concurred with that recommendation of ACPAQ and requested its secretariat to carry out a place-to-place survey in Rome, preferably in the second half of September 1994, after consultation with FAO. In that regard it requested that detailed information on the in- and out-of-area expenditures of FAO staff should be collected with a view to assessing appropriately the in- and out-of-area components of the post adjustment index for Rome.

Decisions by the Commission

390. The Commission decided:

(a) To reiterate that, under article 11 (c) of the ICSC statute, the authority for the classification of duty stations for the purpose of applying post adjustment was vested in the Commission. Consequently, the authority for the establishment of ad hoc special measures and their discontinuation rested solely with the Commission and, by delegated authority, with its Chairman;

(b) To discontinue forthwith the ad hoc measures for the Rome post adjustment classification approved by the Commission in March 1993;

(c) That ad hoc measures similar to those implemented in the case of Rome should not be applied at any duty station to deal with problems those measures were intended to address. A consistent methodology should be developed to deal with such situations in a systematic manner. In that connection a working group composed of the ICSC secretariat and the representatives of the organizations and staff should be convened to address specific issues pertaining to urgent situations such as substantial and abrupt devaluations of the local currency;

(d) That a place-to-place post adjustment survey should be carried out in Rome in the second half of September 1994 on the basis of the current methodology, including for the comparison of housing costs.

Notes

1/ Official Records of the General Assembly, Forty-eighth Session, Supplement No. 30 (A/48/30), paras. 10-12.

2/ Ibid., Forty-sixth Session, Supplement No. 9 (A/46/9), para. 275 (e).

3/ Ibid., Forty-fourth Session, Supplement No. 30 (A/44/30), vol. II, paras. 159-160 and 173.

4/ Ibid., Forty-seventh Session, Supplement No. 30 (A/47/30), para. 177.

5/ Ibid., Forty-eighth Session, Supplement No. 30 (A/48/30), para. 153.

6/ Ibid., Forty-fourth Session, Supplement No. 30 (A/44/30), vol. II, para. 173 (d).

7/ Ibid., Forty-eighth Session, Supplement No. 30 (A/48/30), paras. 101-107.

8/ Ibid., Forty-seventh Session, Supplement No. 30 (A/47/30).

9/ Ibid., Thirty-fifth Session, Supplement No. 30 (A/35/30), para. 303.

10/ Ibid., para. 310.

11/ Ibid., Thirty-ninth Session, Supplement No. 30 (A/39/30), para. 203.

12/ Ibid., Forty-second Session, Supplement No. 30 (A/42/30), annex XV.

13/ Ibid., Forty-eighth Session, Supplement No. 30 (A/48/30), para. 207.

14/ Ibid., para. 219.

15/ There are three series of United Nations Staff Rules: the 100 series (for career or continuing staff), 200 series (for project personnel) and the 300 series (applicable to staff members recruited specifically to meet special needs of the Organization for services of a limited duration).

16/ Official Records of the General Assembly, Forty-fourth Session, Supplement No. 30 (A/44/30), vol. II, para. 35.

Annex I

A. COMPARISON OF PENSIONABLE REMUNERATION AMOUNTS BASED ON AVERAGE AMOUNTS FOR CALENDAR YEAR 1994

Grade	Pensionable remuneration amounts (in United States dollars)		United Nations/ United States ratio	Weights for calculation of overall ratio c/
	United Nations a/	United States b/		
P-1	45 818	31 412	145.9	0.6
P-2	57 914	42 297	136.9	7.3
P-3	72 157	54 054	133.5	21.5
P-4	88 115	70 789	124.5	29.8
P-5	104 887	82 497	127.1	27.3
D-1	115 143	90 327	127.5	9.9
D-2	124 403	93 470	133.1	3.6
Weighted average ratio:				128.8
Weighted average ratio adjusted for New York/Washington cost-of-living differential (revised methodology: 114.1)				112.9

a/ Average United Nations salaries by grade.

b/ Average salaries based on Washington-area United States federal civil service in comparable positions provided by the Office of Personnel Management to reflect published salary scales effective January 1994.

c/ These weights correspond to United Nations common system staff with dependants in grades P-1 to D-2, serving at headquarters and established offices as at 31 December 1992.

B. UNITED NATIONS - UNITED STATES INCOME REPLACEMENT RATIOS

PERIOD 1992-1994						
Grade	Average net remuneration $		Pension benefit 31 December 1994 $		Income replacement ratios	
	United Nations (a)	United States a/ (b)	United Nations (c)	United States a/ (d)	United Nations (c/a)	United States (d/b)
P-1	40 264	26 526	20 410	13 910	50.7	52.4
P-2	50 284	35 049	26 061	18 890	51.8	53.9
P-3	60 502	43 367	32 435	23 717	53.6	54.7
P-4	72 282	55 476	39 662	31 307	54.9	56.4
P-5	83 997	65 944	47 148	37 107	56.1	56.3
D-1	91 693	80 479	51 784	44 461	56.3	55.2
D-2	98 209	82 625	55 903	46 239	57.0	56.0
Weighted average					54.7	55.7

a/ The average net remuneration and pension benefits figures for United States federal civil service employees exclude data for medical doctors belonging to the commissioned corps since part of their pay is non-pensionable and the pension benefit accumulation formula applicable to them is significantly different from that applicable to other United States federal civil service employees in the civil service retirement scheme. For those in the scheme, pension benefit after 25 years of service corresponds to 46.25 per cent of the average pensionable remuneration.

Annex II

COMPARISON OF AVERAGE NET REMUNERATION OF UNITED NATIONS OFFICIALS IN NEW YORK AND UNITED STATES OFFICIALS IN WASHINGTON BY EQUIVALENT GRADES

(Margin for calendar year 1994)

Grade	Net remuneration: United Nations a/ $	Net remuneration: United States b/ $	United Nations/ United States ratio (United States, Washington = 100)	Weights for calculation of overall ratio c/
P-1	41 901	27 317	153.4	0.6
P-2	52 119	36 136	144.2	7.3
P-3	62 366	45 513	137.0	21.5
P-4	74 411	58 123	128.0	29.8
P-5	86 471	68 082	127.0	27.3
D-1	94 276	83 935	112.3	9.9
D-2	101 063	89 009	113.5	3.6

Weighted average ratio before adjustment for New York/Washington cost-of-living differential:	128.9
New York/Washington cost-of-living ratio:	114.1
Weighted average ratio, adjusted for cost-of-living difference	113.0

a/ Average United Nations net salaries at dependency level by grade reflecting two months at multiplier 44.4, eight months at multiplier 39.4 and two months at multiplier 42.6.

b/ Average salaries based on Washington-area United States federal civil service in comparable positions provided by the Office of Personnel Management.

c/ These weights correspond to the United Nations common system staff in grades P-1 (D) to D-2 (D), serving at headquarters and established offices as at 31 December 1992.

Annex III

GROSS BASE SALARIES

A. Proposed base/floor salary scale for the Professional and higher categories: annual gross salaries and net equivalents after application of staff assessment a/

(In United States dollars)

Level	STEPS														
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
USG															
Gross	145 236														
Net (D)	93 735														
(S)	84 232														
ASG															
Gross	131 617														
Net (D)	85 972														
(S)	77 763														
D-2															
Gross	107 062	109 482	111 934	114 394	116 855	119 317									
Net (D)	71 946	73 349	74 752	76 154	77 558	78 961									
(S)	66 026	67 236	68 414	69 582	70 751	71 921									
D-1															
Gross	94 299	96 371	98 442	100 510	102 581	104 653	106 724	108 795	110 880						
Net (D)	64 544	65 745	66 946	68 146	69 347	70 549	71 750	72 951	74 152						
(S)	59 645	60 680	61 716	62 750	63 786	64 821	65 857	66 893	67 913						
P-5															
Gross	82 807	84 650	86 492	88 335	90 181	92 053	93 927	95 802	97 674	99 548	101 423	103 295	105 170		
Net (D)	57 806	58 893	59 981	61 068	62 155	63 241	64 328	65 415	66 501	67 588	68 675	69 761	70 848		
(S)	53 611	54 606	55 601	56 596	57 585	58 522	59 459	60 396	61 332	62 269	63 206	64 143	65 080		
P-4															
Gross	67 706	69 475	71 240	73 005	74 774	76 565	78 362	80 159	81 955	83 751	85 546	87 346	89 141	90 954	92 782
Net (D)	48 824	49 885	50 944	52 003	53 064	54 123	55 183	56 244	57 304	58 363	59 422	60 484	61 543	62 603	63 664
(S)	45 413	46 378	47 342	48 306	49 271	50 240	51 210	52 181	53 151	54 120	55 090	56 062	57 031	57 972	58 886
P-3															
Gross	54 837	56 463	58 097	59 727	61 361	62 993	64 624	66 279	67 938	69 599	71 258	72 917	74 576	76 256	77 945
Net (D)	40 997	41 993	42 989	43 983	44 980	45 975	46 971	47 967	48 963	49 959	50 955	51 950	52 946	53 941	54 938
(S)	38 291	39 197	40 104	41 009	41 915	42 821	43 727	44 633	45 539	46 446	47 352	48 258	49 164	50 073	50 985
P-2															
Gross	43 754	45 131	46 543	47 957	49 369	50 783	52 197	53 609	55 026	56 485	57 943	59 405			
Net (D)	33 990	34 882	35 772	36 663	37 553	38 443	39 334	40 224	41 116	42 006	42 895	43 787			
(S)	31 914	32 730	33 539	34 349	35 158	35 969	36 779	37 588	38 399	39 209	40 018	40 830			
P-1															
Gross	32 951	34 212	35 492	36 809	38 125	39 440	40 760	42 075	43 391	44 708					
Net (D)	26 907	27 764	28 620	29 476	30 331	31 186	32 044	32 899	33 754	34 610					
(S)	25 412	26 208	26 997	27 781	28 564	29 347	30 132	30 915	31 698	32 481					

a/ Excluding post adjustment amounts, if applicable.

B. **Staff assessment rates for use in conjunction with gross base salaries and the gross amounts of separation payments**

Total assessable payments (United States dollars)	Staff member rates used in conjunction with gross base salaries	
	Staff member with a dependent spouse or a dependent child	Staff member with neither a dependent spouse nor a dependent child
First 15 000 per year	9.0	12.4
Next 5 000 per year	21.0	26.9
Next 5 000 per year	25.0	30.3
Next 5 000 per year	29.0	34.6
Next 5 000 per year	32.0	36.9
Next 10 000 per year	35.0	40.5
Next 10 000 per year	37.0	42.7
Next 10 000 per year	39.0	44.5
Next 10 000 per year	40.0	45.4
Next 15 000 per year	41.0	46.0
Next 20 000 per year	42.0	50.0
Remaining assessable payments	43.0	52.5

Annex IV

AMOUNTS OF CHILDREN'S AND SECONDARY DEPENDANT'S ALLOWANCE

(In local currency)

Country	Currency	Children's allowance	Secondary dependant's allowance
Austria	Schilling	22 834	8 435
Belgium	Belgian franc	56 721	18 140
Denmark	Danish krone	10 661	3 082
France	French franc	8 195	2 719
French Guiana	French franc	8 195	2 179
Germany	Deutsche mark	3 278	1 176
Ireland	Pound	925	303
Japan	Yen	322 196	146 370
Luxembourg	Lux.franc	56 721	18 110
Monaco	French franc	8 195	2 719
Netherlands	Guilder	3 614	1 231
Switzerland	Swiss franc	2 718	1 211
United States and the rest of the world a/	United Sates dollar	1 400	500

a/ As a result of a review of currencies this will also include, as of 1 January 1995, Finland, Italy, Norway, Spain, Sweden, the United Kingdom and the CFA franc countries.

Annex V

SALARY SCALE FOR THE GENERAL SERVICE STAFF AT MONTREAL BASED ON OCTOBER 1993 SURVEY OF BEST PREVAILING CONDITIONS OF EMPLOYMENT CONDUCTED BY ICSC

(In Canadian dollars)

	S T E P S										
Grade	1	2	3	4	5	6	7	8	9	10	11
GS-9	28 201	29 513	30 825	32 137	33 449	34 761	36 073	37 385	38 697	40 009	41 321
GS-8	25 829	27 030	28 231	29 432	30 633	31 834	33 035	34 236	35 437	36 638	37 839
GS-7	23 654	24 754	25 854	26 954	28 054	29 154	30 254	31 354	32 454	33 554	34 654
GS-6	21 659	22 666	23 673	24 680	25 687	26 694	27 701	28 708	29 715	30 722	31 729
GS-5	19 835	20 757	21 679	22 601	23 523	24 445	25 367	26 289	27 211	28 133	29 055
GS-4	18 159	19 003	19 847	20 691	21 535	22 379	23 223	24 067	24 911	25 755	26 599
GS-3	16 634	17 407	18 180	18 953	19 726	20 499	21 272	22 045	22 818	23 591	24 364
GS-2	15 231	15 939	16 647	17 355	18 063	18 771	19 479	20 187	20 895	21 603	22 311
GS-1	13 952	14 600	15 248	15 896	16 544	17 192	17 840	18 488	19 136	19 784	20 432

Annex VI

EMPLOYMENT OF NATIONAL PROFESSIONAL OFFICERS: CURRENT AND PROPOSED REVISED CRITERIA

Current (1980) criteria	The Commission recommends to the General Assembly the following system-wide criteria for the employment of NPOs at non-headquarters duty stations:
1. NPOs should be employed only for functions at field offices which by their nature require national knowledge and experience and so cannot be carried out as effectively by international Professionals. Job descriptions for NPO posts should clearly indicate those functions which require national knowledge and experience	1. The employment of NPOs by a given common system organization should be grounded in a policy framework established by that organization's legislative body. This practice should be set forth in a clearly enunciated policy statement demonstrating its consistency with the organization's operational requirements
2. The functions in question should be justified within the overall efforts of the United Nations system to increase national development and other capabilities	2. NPOs should be nationals of the country where they are to serve, should be recruited locally and should not be subject to assignment to any duty station outside the home country
3. The intention being to hand these functions over to the host Government or appropriate national institution, the duration of particular national professional functions should be limited	3. The work performed by NPOs should have a national content. It should be at the Professional level and the same standards of recruitment qualifications and performance as are required for other Professional staff should apply. The functions of all NPO posts should be justified within the overall efforts of the United Nations system to increase national development and other related categories. NPOs should bring to bear in the job national experience and knowledge of local culture, language traditions and institutions
4. NPOs should be nationals of the country where they are to serve	4. Organizations employing NPOs should maintain a balance between international and local Professionals appropriate to their needs, bearing in mind the need to preserve the universal character and the independence of the international civil service
5. NPOs should be locally recruited; their remuneration should be on the basis of best prevailing conditions in the locality for nationals carrying out functions at the same level	5. NPO posts should be graded on the basis of the Master Standard for the classification of Professional posts (and related Tier II standards where these have been developed). Their conditions of service should be established in accordance with the principle of the best prevailing conditions in the locality for nationals carrying out functions at the same level, through the application of the NPO salary survey methodology promulgated by ICSC
6. The work to be performed should correspond to Professional-level work; posts should be classified in accordance with the job classification standards promulgated by the Commission.	6. The career prospects of NPOs are necessarily limited, given (i) the continued employment of international staff in senior management positions, (ii) the number of grades in the category and (iii) the fact that the functions they perform may be finite. Organizations should make NPOs aware of these limitations. Within that context, however, organizations should endeavour to develop the potential of NPOs as a matter of sound personnel policy.

Annex VII

COMPARISON OF NATIONAL PROFESSIONAL OFFICERS AND UNITED STATES EMBASSY SALARIES 1993

Comparison of FSN-10 (step I) with NO-A (step I)

Duty station	United Nations/FSN %
Addis Ababa	227.1
Bangkok	112.1
Bolivia	90.3
Botswana	105.5
Buenos Aires	122.2
Burkina Faso	121.6
Cairo	102.6
Dominican Republic	115.9
Ecuador	170.4
Indonesia	132.5
Jordan	101.9
Manila	125.2
Mexico	141.5
Mozambique	145.4
Nairobi	167.4
New Delhi	161.3
Nicaragua	93.5
Niger	114.5
Port Moresby	209.4
Syrian Arab Republic	153.1
Turkey	98.0
Average	133.9

Annex VIII

APPRAISAL AND RECOGNITION OF PERFORMANCE

A. Principles and guidelines for performance appraisal and management and for the recognition of different levels of performance

I. PRINCIPLES RELATING TO PERFORMANCE APPRAISAL OBJECTIVES

Principle 1. Performance appraisal is a management tool but it is not a substitute for good management

1. Performance appraisal is the process of assessing or measuring the way in which tasks assigned are carried out. Its goal is to optimize performance at the individual, group and agency level. It is not an end in itself, nor can it function properly unless the organization/agency defines its mission in performance-oriented terms and acts at all levels to reinforce that message. Performance appraisal should be but one element of a set of integrated measures (including organizational design, human resources planning and development) that serve to achieve the goal of overall improved performance. This process is known as performance management.

Principle 2. The objectives that the organization has for performance appraisal should be formulated before a system is selected or developed: the processes and procedures employed should be consistent with these purposes

2. The results of performance appraisal may be used for various administrative actions: retention of staff at the end of fixed-term or probationary contracts; decisions on salary (within-grade increments) and merit awards. Organizations may also use the performance appraisal process as a vehicle for reviewing career development and planning objectives.

3. Whatever purposes the system is used for, it is essential that processes are in place to ensure that the information derived from the appraisal is used for its stated purposes.

4. It is particularly important for staff performance to be closely monitored, and the necessary coaching and counselling given, in the initial period following recruitment. This may require the development of specific forms or procedures for this group of staff.

5. Information from performance appraisals is useful in making decisions about promotion, but should not provide the sole basis for such decisions: information is also needed about the staff member's potential to succeed in circumstances requiring somewhat different skills (i.e. his or her promotability).

Principle 3: The purposes of performance appraisal should be clearly understood by all concerned

6. The purposes of performance appraisal and how it contributes to organizational effectiveness should be understood at all levels in the organization. This understanding can be facilitated in several ways:

(a) General information on the system:

(i) As a minimum, the purposes and procedures of the system should be grounded in staff rules and regulations and explained in administrative issuances, personnel manuals and the like;

(ii) The development of additional information tools, e.g. flow charts, booklets, etc., explaining the process itself and how it interfaces with overall agency performance would be a useful adjunct to such administrative texts;

(b) Training: No system should be introduced without an organization-wide training effort. For managers and supervisors, this should be integrated with general management training or posited in the context of their overall managerial/supervisory responsibilities. All new recruits should receive training/briefing in the system.

Principle 4. Performance management and appraisal must be important and meaningful to managers and supervisors

7. Regardless of how well a performance appraisal system is designed, it will falter if it is not taken seriously by managers and supervisors. Enlisting appraisers' support for the system is therefore crucial. This support can be engendered in several ways:

(a) The leadership and senior management of the organization should issue a statement underlining the importance of the performance appraisal system in the context of performance management; they should also show by their own actions that they themselves take the system seriously. One way of demonstrating this commitment would be for the formal performance appraisal system to be applicable to all staff in the organization, including those at the highest levels. It is also essential to send a clear message to line managers that, so long as their appraisals are impartial and objective, they will be supported in tough decisions;

(b) The active participation of programme managers should be sought when developing or changing systems. This will help to ensure that the system meets their needs, and guard against the perception that performance appraisal is the property of the personnel function;

(c) In terms of accountability, the accurate and prompt completion of performance appraisals should be specifically included in the work plans of managerial and supervisory staff as a key element to be evaluated by their own supervisors. As with other important parts of a supervisor's job, there must be positive consequences for doing a good job of appraising performance and negative consequences for doing a poor job;

(d) All managers and supervisors should receive training in the skills required to carry out performance appraisal effectively, including communication skills, the setting of performance objectives, coaching and counselling and assisting staff to improve performance.

8. It is important to recall that management accountability for performance appraisal cannot be forged in isolation from the development of management skills overall.

Principle 5. To the extent possible, objective performance-based work tasks important to the efficient and effective operation of the organization should provide the basis for the appraisals. These should, where feasible, be supported by the development of competencies applicable to the job group in which the staff member works

9. Basically what a performance appraisal system requires is setting out what staff are expected to do, telling them at the end of the appraisal period how they did and using the information for the purposes the system was designed to serve.

10. There are several different sources of information upon which managers can draw when identifying the more important duties or tasks of their staff members. It goes without saying that the staff member should be consulted at the time the work plan is being prepared. One obvious source of information is the staff member's job description, which as a matter of sound management should be kept up to date. However, care should be exercised in this regard. Duties that are included in a job description but that the staff member is not expected to carry out during the appraisal period should not be taken into account in the work plan. Conversely, the fact that a staff member is required to perform a certain task that is not in the job description does not necessarily mean that the job description needs to be modified. While the tasks included in the staff member's work plan will probably be written at a different level of specificity than those in the job description, there should, over all, be a high degree of correlation between the two. If not, the job description should be rewritten.

11. In appraising performance it is important to keep to duties or tasks (also called performance objectives, factors or elements) that the staff member is expected to carry out. Care should be taken to avoid basing ratings on personal traits and attitudes, which can only increase the subjectivity of the appraisals and might lead some staff members to see both the supervisor and the ratings as arbitrary and unfair.

12. While performance appraisal systems should be task-based rather than behaviour-based, the use of strict management-by-objective systems is not always possible or appropriate. It is important to evaluate not just whether a task was completed appropriately, but whether the staff member brought to bear thereon the qualities or attributes required for effective performance in the staff member's job group or family. Such generic standards of knowledge, skills and abilities applicable to job groups are known as competencies. Their development as an element of the performance management and appraisal process is encouraged because they provide a common language and framework across jobs and functions and encourage reference to job-related behaviours rather than selected personality traits and "interpersonal chemistry".

13. In general, staff involvement in the whole performance appraisal process should be encouraged, although ultimately it is the manager who is responsible for determining appropriate work tasks.

II. PRINCIPLES RELATING TO PERFORMANCE APPRAISAL PROCEDURES

Principle 6. Consistent with the purposes to be served, the performance appraisal process should be as simple as possible

14. Once the objectives of the performance appraisal system have been identified, the keynote of its design should be simplicity and transparency. Unduly complicated forms and processes will engender resistance to the system and detract from its credibility and usefulness.

15. Any new system, or modifications to an existing system, should be tested prior to full-scale implementation; shortcomings identified should be corrected promptly.

16. The convenience of using the performance appraisal system for multiple purposes should be carefully weighed. Using the process for career development and planning purposes is a case in point. This might more effectively be dealt with as a separate and clearly identifiable process, thereby streamlining the appraisal process and at the same time focusing more attention on employee development.

Principle 7. The standards of performance and priorities for each duty or task should be established by the supervisor and communicated to the staff member at the beginning of the appraisal period

17. It is not enough simply to identify the tasks for which the staff member is responsible. It is equally important to establish reasonable expectations or standards of performance for each of the defined tasks. The standards may relate to how the work is carried out as well as to expected outcomes of the work. Typical indicators may include the timeliness of carrying out or completing a task, quality and/or quantity of the work produced, how accurate and complete the work is or other observable behaviours or outcomes. The development of performance standards is no easy matter and managers and supervisors should receive proper training in this skill. In addition, staff should be fully involved in the process of setting performance standards, as they will be better motivated to attain the desired performance if they have a hand in determining appropriate levels. A list of basic questions to ask when developing the standards is provided below:

(a) What is it that the staff member must do in carrying out the task, what procedures must be followed, who must be contacted, who must be involved, what procedures must be followed and what techniques must be employed, if any, for the staff members to be considered to have performed successfully? If a product is involved, such as a written document of some kind, then what has to be included in it, what must it look like or what outcome must be achieved in order for the staff member to be considered to have been successful?

(b) Can a staff member at the same level as the staff member who will be doing the work perform at the expected level with a reasonable amount of effort?

(c) Can information about whether the staff member has attained the expected behaviour/outcome be obtained without constructing costly or lengthy procedures?

(d) Is it necessary to obtain information about the performance of staff members over a range of performance levels, as, for example, if decisions must be made about the amounts of merit pay to award to different staff members? If so, it is important that each level of performance be defined so it is clear when staff members are performing at it.

18. The staff member must also know the priority of each of the tasks; otherwise he or she may spend much of the appraisal period working on tasks of lesser importance.

Principle 8. The performance appraisal system should be structured to provide clear communication between staff and supervisors about expected and actual performance

19. To achieve maximum potential in the area of performance improvement, it is important for the supervisor and the staff member to discuss the staff member's performance on a regular basis. As a minimum, there should be a meeting between the supervisor and the staff member at the beginning of the appraisal period to identify the activities the staff member is expected to carry out, the relative importance/priority of each activity and what is expected in carrying out each task; one or more meetings during the cycle to discuss progress in completing the tasks, steps that the staff member could take to improve performance and any changes in priorities or tasks that should be considered; and one meeting at the end to discuss the performance rating and the new tasks and standards. In addition, the supervisor should make a point of providing the staff member with feedback on performance, both positive and negative, on an ongoing basis. A word of thanks or praise for a specific task well done, and constructive criticism of aspects requiring improvement will reinforce the concept of performance appraisal as a continuing process.

20. Thus, the appraisal cycle should consist of the following stages:

(a) Establishment of the work plan (performance tasks), by the supervisor in consultation with the staff member;

(b) Performance by the staff member of the tasks, monitoring of performance by the supervisor and ongoing discussions with the staff member about the performance;

(c) In conjunction with (b), revision of tasks on the appraisal form to reflect new assignments, tasks or priorities, as necessary. It is usually more effective to structure such revisions on a biannual or quarterly basis;

(d) Rating by the supervisor and discussion of the ratings with the staff member, who may add written comments;

(e) Review of the rating, normally by the second-level supervisor;

(f) Transmission of the performance appraisal to the staff member;

(g) Entry of the performance report into the staff member's personnel file;

(h) Appropriate consequences of differing levels of performance;

(i) Return to (a).

Principle 9. Performance ratings must be applied objectively and accurately

21. Irrespective of how well a performance appraisal system is designed, its utility will be diluted or nullified if the ratings applied are not accurate or realistic. Qualifiers such as "excellent" or "outstanding" become meaningless when applied to the majority of the workforce and render the performance appraisal system valueless as a basis for e.g. determining those eligible for merit awards. In a normally functioning work setting, the majority of staff should be rated at the level corresponding to "satisfactory". In organizations where this situation is not the case, efforts will be required to re-educate managers and staff alike to the notion that "satisfactory" is not a synonym for "mediocre". This becomes a particularly challenging task in a multicultural workforce. The most powerful tool is an organizational culture strongly based on performance and quality and cutting across national boundaries and cultures.

22. New perceptions of performance levels probably require, as a minimum, the use of new terms (e.g. replacing "satisfactory" by "full performance standard" and "unsatisfactory" by "underperformance"); they may necessitate the introduction of an entire new system as the embodiment of a new way of thinking.

23. Systems should be put in place that will enhance the establishment of realistic rating curves. These could include the simultaneous rating of all staff in a given group or unit, against an agreed quota system or rating curve, by a review group consisting of appraisers in a given unit/department. This process would also serve to focus attention on the exercise, thereby making it a more meaningful management function.

24. The provision of overall ratings is recommended in order to enhance consistency of ratings among staff members at the time of the review and to enable a comparison to be readily drawn of a staff member's performance over time.

Principle 10. To the extent possible, the timing of the appraisal should be consistent with the purpose for which it has been designed

25. The validity of any action taken as the result of a performance appraisal exercise will be reinforced if the timing of the two events coincides reasonably closely. For this reason, among others, it is desirable for appraisals to take place on an annual basis.

Principle 11. There should be an automatic process for review and approval of performance ratings but performance ratings per se should not normally be rebuttable or subject to grievances. At the same time, it is important to ensure that the staff member's right to due process is protected in cases of alleged discrimination or non-compliance with established procedures

26. Performance ratings per se are a management prerogative. If staff are permitted to rebut or submit grievances about every rating regardless of the level of performance, the whole process could become mired in formal legalistic processes.

27. However, in all cases, there should be a process of review that (a) offers an opportunity for the staff member's views to be heard in instances in which the staff member believes the supervisor has not accurately defined the performance and (b) provides for examination by a higher-level authority of the consistency and accuracy of the supervisor's ratings. The review process should consist of the following steps:

(a) If the supervisor and the staff member cannot reach agreement about the level of the staff member's performance after discussing the appraisal, the staff member should be allowed to make written comments about the rating and/or the process used to obtain the rating directly on the performance appraisal rating form;

(b) Secondly, a second-level reviewer (normally the second-level supervisor) should review the rating to ensure that the rater has provided specific examples of work supporting the ratings and that the staff member's comments or signature are included on the form(s). The second-level supervisor should hold discussions with the supervisor and, where appropriate, with the staff member and the ratings and comments should be revised prior to a final rating. Once a rating is confirmed by the second-level reviewer it should be considered final and should be entered into the staff member's personnel file, subject to one of the three exceptions discussed below.

28. There are three instances in which rebuttals or grievances concerning the performance appraisal should be permitted:

(a) Cases where the performance is rated as less than satisfactory and after the second-level review the staff member does not agree with the rating. In such cases the staff member should have recourse to a third level of review, for example by an independent person, an agency ombudsman or a performance review board;

(b) Cases of alleged discrimination. The formal grievance or rebuttal (using, if possible, existing organizational grievance procedures) should be based solely on the allegation of discrimination. Only if discrimination is found to exist should the actual rating be reconsidered;

(c) Cases where performance appraisal regulations, rules or procedures have allegedly not been followed.

29. The above does not preclude the fact that staff have recourse to file formal appeals against administrative decisions based on performance ratings.

Principle 12. There must be consequences for different levels of performance that are known to both supervisors and staff

30. Staff who meet performance expectations would, given other factors, receive contract renewals and within-grade salary increments when due.

31. Occasionally there will be staff whose performance exceeds expectations, and their performance should be recognized and rewarded. Recognition should be based solely on merit; it should normally be visible and it should occur promptly. Otherwise, the credibility of the system will be undermined.

32. Staff whose performance falls below expectations should have a follow-up conversation with the supervisor that includes discussion of how the staff member can improve performance. If the performance does not improve, sanctions should be applied.

B. Framework for recognition and reward programmes

1. General characteristics of merit awards

33. Merit awards presuppose three elements:

(a) Achievement of noteworthy accomplishments;

(b) Recognition of these accomplishments;

(c) Acknowledgement of this recognition.

34. Any merit awards granted should conform to certain general principles:

(a) They should be considered as meaningful by the organization;

(b) They should be proportionate to the achievement being recognized;

(c) They should be conveyed by a means that will reinforce their impact.

2. Criteria for granting merit awards

35. Meritorious performance can be distinguished on a number of levels, varying from one event to a consistently high standard of performance over a specific time period. The following criteria should apply to the granting of such awards:

(a) The awards would be given for exceptionally meritorious performance (for example producing work of exceptional imagination, quality and usefulness, far surpassing normal expectations; outstanding productivity or contribution to reducing costs or improving efficiency of operation or systems; performing an exceptionally meritorious special act of service or an extraordinary act of credit to the organization) and take account of the international nature of the organization and its staff;

(b) They should be framed in terms of outputs and should be capable of objective assessment or measurement;

(c) They should be expressly applicable either to individuals or groups. The scheme should ensure that cooperative teamwork is not discouraged by an excessive emphasis on individual contribution;

(d) Staff at levels in all organizational settings and at all locations would be eligible for such awards, provided they are employed on a contract of at least one year's duration;

(e) Awards may be granted to the same staff member or team in two or more consecutive years. They should not, however, constitute an acquired right.

36. Taking into account their differing organizational structures, sizes, occupational groups and distribution of staff between headquarters and the field, organizations should be left to finalize their own criteria within the above framework.

3. Procedures

37. The following guidelines would be applicable to the merit awards:

(a) Awards should be made once a year;

(b) The results of the award should be publicized in an appropriate manner, preferably by a formal ceremony involving presentation by a senior official of the organization; the names of those receiving awards should be publicized to all staff; organizations might in addition wish to inform their governing bodies of the awards.

4. Basis for determining who receives an award

38. The awards should be based on objective assessment or measurement. The most logical basis for arriving at such assessments are the ratings deriving from the performance appraisal system. Organizations should thus endeavour to ensure that they have in place performance appraisal systems that can provide the basis for distinguishing truly meritorious performance. This determination should be supplemented by the findings of a merit review board, performance review group, or similar body that would screen recommendations for merit awards.

39. Actual nomination procedures should be left to each organization to determine on the basis of methods used in similar circumstances. Here again, however, the use of the performance appraisal system as the primary vehicle for nomination will enhance the perception of objectivity and transparency.

5. Types of awards

40. There are two types of merit awards: non-cash awards and cash awards:

(a) Non-cash awards:

Certificate/formal commendation/letter of appreciation

Plaque

Pin or scroll

Books, videotapes and computer equipment of a documentary/work-related nature

Membership of professional association, if appropriate

Subsidizing of tuition and educational expenses

Visit to field office (for staff at headquarters)

Visit to headquarters (for staff from field office)

Sabbaticals

Paid release for study purposes

Gift certificates

Travel awards

Credit up to a certain amount for work-related items

(b) Cash awards:

Amount: Maximum equal to half a month's net base salary at the mid-point of the applicable salary scale.

Form: Non-pensionable lump-sum bonus.

Note: Cash awards should in all cases be combined with a non-cash reward (e.g. certificate).

6. Merit award system

41. The scheme described below is based on the assumption of a distribution of performance levels, which would be in the following order of magnitude, with eligibility for merit awards being limited to staff in level A.

TABLE A: ASSUMED DISTRIBUTION OF PERFORMANCE LEVELS

Performance rating	Level	Percentage of workforce (approximate)
Outstanding	A	3-5 a/
Very good/above full performance	B	10-15
Full performance/fully satisfactory performance	C	65
Underperformance	D	7-10
Poor performance	E	3-5

a/ Eligible for merit awards.

Note: It is recognized that not all organizations have a five-level rating system: moreover, in the initial stages, some organizations may not be in a position to use ratings generated by the performance appraisal as the primary basis for merit awards. The above should, however, serve as a framework within which organizations should limit the granting of merit awards.

TABLE B: MERIT AWARDS

Performance rating (see table A)	Percentage of workforce	Consequences
A Outstanding	3-5	Either: (a) Cash award of up to half a month's salary at the mid-point or (b) Non-cash award of similar value or (c) Non-cash symbolic awards Combined with certificate/ceremony.

7. The team approach

42. The above scheme has been presented in terms of awards to individuals, but it is equally applicable to teams. In fact, the emphasis in management practice today is increasingly on the recognition of team or group effort. The team approach is seen as a more powerful motivator of staff over all than are individual awards (diminution of the "best versus rest" syndrome) and, from the process point of view, has the advantage of encouraging a cooperative effort towards problem-solving, which is one of the basic strategies of total quality management and related management philosophies.

43. Who should be eligible for team awards? Any member of a group whose work has been recognized through the mechanism established by the organization as being of outstanding/exceptional overall benefit to the organization during the review period should in principle be eligible for team awards. Teams may be within one work unit (some or all members) or cut across units or departments. It is recommended that the team approach to recognition be used as a vehicle for encouraging decompartmentalization, especially in organizational settings where a number of units are working in related/complementary areas. In discussions with organizations, the question has arisen as to whether all members of a team responsible for a high-quality product should receive an award, irrespective of their individual performance ratings. Good management sense should be the guide in such cases. A staff member with a rating of satisfactory (or equivalent) or above, should certainly be included. Whether a team member whose individual performance needed improvement was included would depend on individual circumstances. It would probably not be appropriate to include staff whose performance had been rated clearly unsatisfactory. The key should be the extent to which actions motivate/demotivate the other members of the team and the rest of the workforce.

44. How to implement team awards

(a) Non-cash awards. The award of certificates of achievement, plaques and the like is relatively straightforward. Special recognition may be given to the recognized team leader, but care should be taken not to single out staff to the detriment of the team spirit. Another type of non-monetary award might consist of some work-related equipment that could be used by all team members. A visit to the site of the project that was the focus of the award-winning effort might, depending on circumstances, be a particularly appropriate way of tying the nature of the award to the contribution made;

(b) Monetary/cash awards. The award to the team should be of a greater amount than individual awards; actual amounts would vary according to the size of the team, the premium placed on the contribution made, the resources available for the recognition and reward programme, and other factors. As a guide, it is suggested that amounts of up to $5,000 might be appropriate for teams of up to six, with amounts being prorated accordingly for teams of larger size.

8. Other forms of recognition and reward

45. Incentive schemes. Incentive or suggestion schemes fall into two main categories:

(a) Suggestion-type schemes, whereby a proposal, plan or practical idea leading to improved efficiency, productivity or other such operational advantage, generates a reward. Usually the suggestion is the employee's initiative;

(b) Group incentive plans, whereby a group or unit of employees is organized by management to work together as a team to come up with suggestions as to how productivity and efficiency might be enhanced.

46. Both types of incentive schemes have the potential for application in common-system organizations but, here again, the management culture is all-important. Suggestion-type schemes, particularly when applied to individuals, can backfire on the initiator of the improvement, who may be seen

as a whistle blower. The clear message therefore needs to be sent that this kind of initiative and contribution is appreciated by the organization and, if accepted, will receive appropriate recognition.

47. The second type of incentive scheme offers, of all the measures proposed in the present paper, perhaps the greatest potential for generating changes in organizational behaviour. Productivity is increased, more attention is paid to cost and quality control; a team spirit is fostered in the workplace. Group incentive plans must, however, be designed and administered correctly if they are to operate successfully: like any other scheme, they must have the commitment and support of senior management. Group incentive schemes should not be introduced on an ad hoc basis; their introduction may require specific expertise.

48. Some of the savings realized through incentive schemes, particularly group incentive plans, could be utilized to fund the reward and recognition programme as a whole.

49. Special contribution awards: Such awards would be granted for outstanding service, or an act of courage, humanitarianism or sacrifice beyond the call of duty, demonstrating dedication to the ideals and goals of the organization. While there should be some linkage/concurrence with performance ratings, these need not necessarily be strictly performance-related awards. The actual number of awards should be determined by the event; in some years, there may be no such awards if not justified by circumstances. Such awards may be monetary or non-monetary, although this type of award lends itself in particular to the use of medals, citations, etc. Special contribution awards should be available to individuals or groups.

C. Measures for dealing with unsatisfactory performance

(Not in chronological order of application)

50. (a) Performance improvement plan/training. The supervisor should develop a performance improvement plan to bring performance up to acceptable levels and discuss this with the staff member. The plan may include on-the-job or formal training as appropriate;

(b) Delay or withholding of within-grade salary increment. Organizations may withhold or delay the within-grade salary increment of a staff member whose performance at the end of an appraisal period is below standard. The fact that a performance improvement plan has been developed (see (a) above) does not necessarily mean that the performance has improved. The supervisor should certify that performance has actually improved before granting the within-grade increment on time;

(c) Letter of reprimand. While many different instances of poor performance may trigger letters of reprimand, two specific instances come to mind. One is when the poor performance is really non-performance or refusal to perform on one or more tasks that were pointed out to the staff member as being of particular importance. A second instance is when the poor performance is noted during the appraisal cycle, a performance improvement plan is drawn up for the staff member to improve the performance and the staff member does not carry out the plan. The letter of reprimand should be placed in the staff member's personnel file. The letter could be removed from the personnel file if the

staff member demonstrates acceptable performance over the next two appraisal cycles;

(d) Reassignment. In rare instances, for a variety of reasons, a staff member may simply not be able to carry out tasks that have been assigned. When this is found to be the case the organization may reassign the staff member to other duties at the same grade level that the staff member can carry out satisfactorily. This step should be attempted only when, after sufficient opportunity has been given to the staff member to demonstrate acceptable performance, it is clear that the staff member will not be able to perform as required. The fact that the staff member cannot do a particular type of work should be noted on the personnel file so that such assignments can be avoided in the future;

(e) Demotion. When performance on critical tasks or on several less critical tasks becomes unsatisfactory, it may become necessary to assign lower-level duties and to demote the staff member to a lower grade;

(f) Termination. When a staff member is on an initial fixed-term or probationary contract and performance is less than expected, the organization may wish to terminate the employment at the end of the first appraisal period. Regardless of the contractual status of the staff member, if performance is below required levels for two consecutive appraisal periods, consideration should be given to terminating employment.

51. The above measures are designed to deal with cases of unsatisfactory performance. They should be seen as distinct from disciplinary measures applicable in cases of misconduct or wrongdoing (although there are cases where conduct has an impact on performance).

D. Training for performance appraisal

52. Learning objectives. Training for performance appraisal, like all training, begins with a definition of expected outcomes. Managers and trainers together need to decide on what they want participants to learn. Training is one way of ensuring that the performance appraisal system works as it was intended and of attaining commitment to the process. The acquisition of practical knowledge and skills goes hand in hand with commitment, as one reinforces the other. The learning objectives proposed below are geared to this outcome.

53. The written purpose and goals of the organization's appraisal system should stress the importance of using the appraisal process as an effective management tool both for achieving organizational objectives and for staff empowerment. While the objectives are relevant to all staff, i.e senior managers, supervisors at all levels (Professional and General Service) and non-supervisors, the training audience targeted by the organization will determine which objectives are emphasized.

54. At the end of the training, participants will:

(a) Understand the purpose, goals and value of the performance appraisal system:

(i) The procedures and steps involved (the cycle);

(ii) Its links to other human resources systems;

(iii) If new, its differences from any previous performance appraisal system;

(b) Be able to carry out all stages in the appraisal cycle in an effective manner with specific emphasis on productive use of effective communication skills. These include:

(i) Setting the climate for performance appraisal and preparing for the exercise;

(ii) Identifying which elements of job performance will be evaluated;

(iii) Providing ongoing feedback;

(iv) Conducting/participating productively in the appraisal interview;

(v) Completing the formal reporting process;

(vi) Initiating follow-up action/work plan/improvement plan, etc.

55. Training content. Training for performance appraisal is not an isolated activity. The learning objectives as outlined above require the development of specific knowledge and skills, combined with motivation to implement the system. This combination can be achieved only by means of a comprehensive approach, comprising: (a) briefing sessions on the policy and operational procedures of the performance appraisal system; (b) training for appraisal interviewing and feedback skills; and (c) training in related performance planning and management skills.

56. Most agencies already provide training programmes that address one or more of these features. The modules presented below in tabular form are based on examples of such programmes. Each module identifies the recommended target group, length of training, content and appropriate methods of training.

57. Evaluation. Any evaluation should assess to what degree the learning objectives were met, how adherence to the various stages in the cycle contributed to the outcome of the training, what effect the training had upon the organization and the worth or value of the training to the organization in terms of its goals and costs. In this connection, attention is drawn to the guidelines for the evaluation of training approved by the Commission. a/

PLANNING PERFORMANCE APPRAISAL TRAINING SESSIONS

MODULE I: BRIEFING

OBJECTIVES	CONTENT	METHOD	EVALUATION
What will the trainee be expected to know or do after the session?	What will you cover in the session to make sure your objectives are met?	How will you get the content across?	How will you find out if the objectives were met?
Understand policy and operational procedures for performance appraisal system	Explanation of the background policies and procedures of the performance appraisal system The criteria for its successful implementation The appraiser's and staff member's perspectives and expectations Practical guidelines to make the system work	Mini-lectures (using audiovisual support) Question-and-answer period Group discussion of themes and examples Practical exercises in small groups Case-studies	Participant satisfaction Questionnaire/test Quality of performance evaluation reports

MODULE II: INTERVIEW/FEEDBACK SKILLS

OBJECTIVES	CONTENT	METHOD	EVALUATION
What will the trainee be expected to know or do after the session?	What will you cover in the session to make sure your objectives are met?	How will you get the content across?	How will you find out if the objectives were met?
Be able to prepare for and conduct the performance appraisal as well as provide feedback on performance in a productive and constructive manner	Preparing for the interview Setting the scene and establishing a dialogue Active listening Questioning techniques, giving honest and constructive feedback Gaining commitment Reviewing objectives (short- and long-term) Addressing both good and bad performance Handling difficult behaviour Closing the interview Completing the appraisal report	Mini-lectures Group work Role play Simulation Video feedback	Participant self-evaluation Trainer-to-participant feedback Organizational survey (immediately following close of performance appraisal cycle)

MODULE III: PERFORMANCE MANAGEMENT SKILLS

OBJECTIVES	CONTENT	METHOD	EVALUATION
What will the trainee be expected to know or do after the session?	What will you cover in the session to make sure your objectives are met?	How will you get the content across?	How will you find out if the objectives were met?
Enhance individual and work group performance and management skills in order to contribute to the effectiveness of the organization's planning and human resource management processes	Establishing work plans (at individual, work unit and organizational levels) Using indicators to assess performance communication and coaching skills Staff development Management styles	Practical assignment Case-study Group discussion Simulation Mini-lectures Skill practice Assessment instruments Video	Participant satisfaction Quality and productivity assessment Work climate survey Learning contracts Structured interview and feedback sessions with supervisors, staff and performance appraisal system implementors

E. Timetable for implementation of performance management measures

1994 ICSC reports to the General Assembly on the conclusions of its review of the matter under article 14 of its statute.

1995 (a) Organizations should continue to assign high priority to the improvement of their performance appraisal/management systems, with particular emphasis on the more accurate rating of performance levels and the application of appropriate consequences. This should also include sanctions for poor performance. This should be an ongoing process;

(b) Concurrently with the above, organizations should intensify their efforts in the area of training in performance appraisal and management at all levels;

(c) Organizations should design reward and recognition programmes in accordance with the parameters established by the Commission, in consultation with staff, including the establishment of procedures for the consideration and approval of merit awards. These programmes should be presented to organizations' legislative/governing bodies for appropriate action;

Reward and recognition programmes would be introduced by organizations on a pilot basis for two years, within the parameters established by ICSC and subject to the proviso that their overall cost should not exceed 0.1 per cent of total standard costs. The exact modalities of implementation would depend on the approach chosen by each organization. Organizations with such programmes already in place would review their application.

End 1996 ICSC secretariat should prepare a report on the application of these programmes for presentation to the Commission in 1997. Further action would be taken as required on the basis of that report.

58. Organizations should carefully monitor the application of reward and recognition programmes during the pilot project stage. Any difficulties encountered should be brought to the attention of the Commission, as appropriate, and the Commission should be kept fully informed of progress in this area.

Notes

a/ Official Records of the General Assembly, Forty-eighth Session, Supplement No. 30 (A/48/30 and Corr.1), annex XII.